

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 26, 2024**

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

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

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

**NEW ISSUE-Book-Entry Only**

Underlying Rating: S&P "A"  
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

**\$22,200,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49  
(A political subdivision of the State of Texas located within Harris County)  
WATERWORKS AND SEWER SYSTEM COMBINATION  
UNLIMITED TAX AND REVENUE BONDS  
SERIES 2024**

**Dated Date: November 1, 2024**

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

**Interest Accrual Date: Date of Delivery**

The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from the initial date of delivery (expected on or about November 26, 2024) (the "Date of Delivery") and is payable April 1, 2025 and each October 1 and April 1 thereafter until the earlier of maturity or redemption on the basis of a 360-day year of twelve 30-day months.

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

**MATURITY SCHEDULE**

Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)	Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)
2026	\$ 155,000				2038	\$ 1,000,000	(c)		
2027	160,000				2039	1,000,000	(c)		
2028	170,000				2040	1,000,000	(c)		
2029	180,000				2041	1,000,000	(c)		
2030	190,000				2042	1,700,000	(c)		
2031	200,000				2043	1,700,000	(c)		
2032	210,000 (c)				2044	2,000,000	(c)		
2033	220,000 (c)				2045	2,000,000	(c)		
2034	230,000 (c)				2046	2,000,000	(c)		
2035	240,000 (c)				2047	2,000,000	(c)		
2036	255,000 (c)				2048	2,100,000	(c)		
2037	265,000 (c)				2049	2,225,000	(c)		

- (a) The Initial Purchaser (as herein defined) may elect to designate one or more maturities as term bonds. See accompanying "Official Notice of Sale" and "Official Bid Form."
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (c) Bonds maturing on and after April 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on April 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (d) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 49 (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District and from certain net revenues, if any, of the District's waterworks and sewer system. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about November 26, 2024.

**Bids Due: Thursday, October 24, 2024 at 1:00 P.M., Houston Time in Houston, Texas  
Bid Award: Thursday, October 24, 2024 at 6:00 P.M., Houston Time in Houston, Texas**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities 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 or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## TABLE OF CONTENTS

MATURITY SCHEDULE .....	1
OFFICIAL STATEMENT SUMMARY .....	3
SELECTED FINANCIAL INFORMATION (UNAUDITED) .....	6
THE BONDS .....	7
USE AND DISTRIBUTION OF BOND PROCEEDS .....	14
THE DISTRICT .....	15
STATUS OF DEVELOPMENT IN THE DISTRICT .....	15
THE DEVELOPERS AND MAJOR LANDOWNER .....	16
MANAGEMENT OF THE DISTRICT .....	17
THE SYSTEM .....	18
DEBT SERVICE REQUIREMENTS .....	20
WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT .....	21
FINANCIAL STATEMENT .....	22
ESTIMATED OVERLAPPING DEBT STATEMENT .....	23
TAX DATA .....	25
TAXING PROCEDURES .....	27
INVESTMENT CONSIDERATIONS .....	31
MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE .....	36
LEGAL MATTERS .....	37
TAX MATTERS .....	37
SALE AND DISTRIBUTION OF THE BONDS .....	40
PREPARATION OF OFFICIAL STATEMENT .....	40
CONTINUING DISCLOSURE OF INFORMATION .....	41
MISCELLANEOUS .....	43
AERIAL PHOTOGRAPH .....	44
PHOTOGRAPHS OF THE DISTRICT .....	45
FINANCIAL STATEMENT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023 .....	APPENDIX A

### USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

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

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

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

*Description...*

The District, located in Harris County, Texas, was created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), by an order dated June 19, 1973, pursuant to Article XVI, Section 59, Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District contains approximately 872 acres. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

*Location...*

The District is located in northeast Harris County, approximately 17 miles northeast of downtown Houston. Garner’s Bayou and John Ralston Road split the east and west halves of the District and Beltway 8 splits the north and south halves of the District. Access to the District is provided by U.S. Highway 59 North to Beltway 8 to John Ralston Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston.

*Status of Development...*

Approximately 489 acres of land within the District have been developed as the single-family residential subdivisions of Timberhills, Section 1, Sunset Ridge, Sections 1 through 8, Sunset Ridge West, Sections 1 through 7, Eagle Creek, Sections 1 and 3, Fall Creek East, Sections 1 and 2 and Fall Creek Sections 35, 36, and 39 through 44 (an aggregate of 2,502 lots). As of August 22, 2024, 2,497 homes had been constructed in the District, of which 2,467 were occupied, 2 homes were under construction or listed in a builder’s name and 3 developed lots were available for home construction.

The Advenir at Eagle Creek Apartments, a 258-unit apartment complex, has been developed on approximately 12 acres in the District. The Falls at Eagle Creek Apartments, a 412-unit apartment complex, has been developed on approximately 22 acres. The Henry at Woodland Hills, a 257-unit apartment complex, has been developed on approximately 11 acres. See “TAX DATA—Principal Taxpayers.” The Eleve, a 322-unit apartment complex, has been developed on approximately 10 acres. In addition, The Standard on the Creek, a 120-unit multi-family development has been developed on approximately 6 acres in the District. The Standard on the Creek is a mixed income apartment complex and a portion of the units have rent limitations based on the tenants’ area median income. See “INVESTMENT CONSIDERATIONS—Tax-Exempt Property.”

Approximately 181 acres of land within the District have been developed with underground utilities for commercial purposes, on which commercial improvements have been constructed on approximately 124 acres. Improvements on such commercial acreage include a Sherwin Williams paint store, a daycare, a swim school, a dental office, a mini-storage facility, a dry cleaners, an NTB tire store, an auto shop, a dog boarding facility, two motels, three gas station/convenience stores, a pawn store and a Popeye’s restaurant. There are also multiple retail centers that include several restaurants, two dental offices, an urgent care facility, a day care, a dog groomer, a barber shop, an Avis rental car, an escape room, a dialysis clinic and two salons. Approximately 57 acres served with underground utilities for commercial purposes remain without vertical improvements.

A Humble Independent School District elementary school has been constructed on approximately 15 acres of land in the District and a church has been constructed on approximately 4 acres of land in the District. The school and the church are exempt from the payment of ad valorem taxes.

There are approximately 122 acres in the District that are undevelopable, including drainage easements, plant sites and parks and recreational sites. See “THE DISTRICT” and “STATUS OF DEVELOPMENT IN THE DISTRICT.”

*The Developers and  
Major Landowner...*

SSR-185 Investments, Ltd. (“SSR-185”), a Texas limited partnership, has developed Sunset Ridge Sections 4 through 8 (442 lots on approximately 71 acres). SSR-185 owns an additional approximately 20 acres in the District. BWH40 Commercial, Ltd., an affiliate of SSR-185, also owns approximately 27 acres of commercial reserves which it has developed with water, sewer and drainage facilities. All of this acreage is being marketed for commercial purposes. SSR-185 and BWH40 Commercial Ltd. are herein referred to as the “Developers.”

Hanover Estates, Ltd. owns approximately 21 acres of land in the District. The District is unaware of any current or future development plans on such acreage.

*Payment Record...*

The District has previously issued nine series of waterworks and sewer system combination unlimited tax and revenue bonds and five series of unlimited tax refunding bonds, a total of \$38,525,000 of which are outstanding as of the date hereof (the “Outstanding Bonds”). The District has never defaulted on the payment of principal and interest on the Outstanding Bonds.

## THE FINANCING

*The Issuer...*

Harris County Municipal Utility District No. 49 (the “District”), a political subdivision of the State of Texas, located in Harris County, Texas. See “THE DISTRICT.”

*The Issue...*

\$22,200,000 Harris County Municipal Utility District No. 49 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024 (the “Bonds”), dated November 1, 2024. The Bonds mature serially on April 1 in each of the years 2026 through 2049, both inclusive, in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from the date of delivery (expected on or about November 26, 2024) (the “Date of Delivery”), with interest payable April 1, 2025 and each October 1 and April 1 thereafter until maturity. See “THE BONDS.”

*Redemption...*

Bonds maturing on or after April 1, 2032 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on April 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

*Book-Entry-Only System...*

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

*Sources of Payment...*

The Bonds are payable from a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District and from certain net revenues, if any, of the District’s waterworks and sewer system. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County or any entity other than the District. See “THE BONDS—Sources of Payment.”

*Authority for Issuance...*

On November 5, 2002, the District’s voters authorized the issuance of \$58,780,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for water, sewer and drainage facilities. On November 7, 2023, the District’s voters authorized the issuance of \$88,800,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities. The Bonds are issued pursuant to both elections. The Bonds are the District’s tenth issuance of bonds from such \$58,780,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and the first issuance of bonds from the \$88,800,000 principal amount of unlimited tax bonds. The Bonds are being issued pursuant to Article XVI, Section 59 of the Constitution of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, an order of the Commission, and an order (the “Bond Order”) of the Board of Directors (the “Board”) of the District. See “THE BONDS—Authority for Issuance” and “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for engineering and construction costs associated with water, sewer and drainage facilities shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, proceeds from the Bonds will be used to pay interest on funds advanced by certain of the Developers on behalf of the District; to pay land acquisition costs; and to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The Bonds will not be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Application has been made to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) for an underlying rating on the Bonds, and S&P has assigned an underlying rating of “A” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser (as defined herein) and at the Initial Purchaser's expense. The rating fee of S&P will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.
<i>Bond Counsel...</i>	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.
<i>Investment Considerations...</i>	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 for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2024 Taxable Assessed Valuation .....	\$966,004,417 (a)
Gross Debt Outstanding (after the issuance of the Bonds) .....	\$ 60,725,000 (b)
Estimated Overlapping Debt.....	<u>55,290,215 (c)</u>
Gross Debt and Estimated Overlapping Debt.....	\$116,015,215
Ratio of Gross Debt to:	
2024 Taxable Assessed Valuation .....	6.29%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2024 Taxable Assessed Valuation .....	12.01%
2023 Debt Service Tax Rate .....	\$0.42
2023 Maintenance and Operations Tax Rate .....	<u>0.35</u>
2023 Total Tax Rate .....	\$0.77
Anticipated 2024 Debt Service Tax Rate.....	\$0.42
Anticipated 2024 Maintenance and Operations Tax Rate.....	<u>0.34</u>
Anticipated 2024 Total Tax Rate.....	\$0.76 (d)
Average Annual Debt Service Requirement (2025-2049) .....	\$3,580,888 (e)
Maximum Annual Debt Service Requirement (2026) .....	\$4,609,750 (e)
Tax Rate Required to Pay Average Requirement (2025-2049) at a 95% Collection Rate Based upon 2024 Taxable Assessed Valuation .....	\$0.40/\$100 A.V. (f)
Tax Rate Required to Pay Maximum Requirement (2026) at a 95% Collection Rate Based upon 2024 Taxable Assessed Valuation .....	\$0.51/\$100 A.V. (f)
Water and Sewer Connections as of August 22, 2024 (g):	
Completed Homes – Occupied .....	2,467
Completed Homes – Vacant .....	30
Homes Under Construction/in a Builder’s Name .....	2
Vacant Lots available for Home Construction.....	3
Commercial Connections .....	35
Apartment Units .....	1,369

Estimated 2024 Population – 11,372 (h)

- (a) The Harris Central Appraisal District (the “Appraisal District”) has certified \$903,690,502 of value as of January 1, 2024. According to the Appraisal District, an additional \$62,313,915 of value remains uncertified and subject to review and adjustment prior to certification. The above total represents the certified value plus the uncertified value. See “TAXING PROCEDURES.”
- (b) Includes the Outstanding Bonds and the Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) The District has published its intent to levy a 2024 tax rate of \$0.76 per \$100 of taxable assessed valuation, comprised of \$0.42 for debt service and \$0.34 for maintenance and operations. The District expects to levy such tax rate in October 2024. See “TAX DATA—Tax Rate Distribution.”
- (e) See “DEBT SERVICE REQUIREMENTS.”
- (f) See “TAX DATA—Tax Adequacy for Debt Service.”
- (g) See “THE DISTRICT—Status of Development.”
- (h) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

## PRELIMINARY OFFICIAL STATEMENT

**\$22,200,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
*(A political subdivision of the State of Texas located within Harris County)*

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

This Preliminary Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 49 (the “District”) of its \$22,200,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024 (the “Bonds”).

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

This Preliminary Official Statement includes descriptions of, among other things, the Bonds and the Bond Order, and certain other information about the District and the Developers in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas, 77019 (“Bond Counsel”) upon payment of the costs of duplication thereof.

## THE BONDS

### **Description**

The Bonds are dated November 1, 2024 and will accrue interest from the Date of Delivery with interest payable each April 1 and October 1 (each an “Interest Payment Date”), beginning April 1, 2025, and mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “—Book-Entry-Only System” below.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

### **Registration, Transfer and Exchange**

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

In the event the Book-Entry-Only System should be discontinued, Bonds shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefore, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered. Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date 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. The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District. The provisions of this paragraph are subject to the Book-Entry-Only System.

### **Paying Agent/Registrar**

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

## **Sources of Payment**

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

The term "Net Revenues" as used in the Bond Order means all income or increment which may arise out of the ownership and operation of the District's System (defined below) as same are purchased, constructed or otherwise acquired, less such portion of revenue income as may be required to provide for the administration, operation, and maintenance of the District's System. In the Bond Order the District covenants to fix, establish, maintain, and collect rates, charges, and bills for the use, availability, facilities, and services of the System which, together with the taxes levied, as described above, will provide revenues sufficient at all times to pay for all reasonable expenses of administration, operation, and maintenance of the System, to make any contributions deemed necessary and advisable to the Debt Service Fund, and to pay all outstanding indebtedness against the System, other than the Bonds, as and when same comes due.

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

## **Funds**

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

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

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and sanitary sewer system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and sanitary sewer system and the District's storm drainage system. Any funds remaining in the General Fund after payment of maintenance and operating expenses, and to the extent they are ever necessary, after any payments pledged pursuant to the requirements of the Bonds, may be used by the District for any lawful purposes.

## **No Arbitrage**

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

## **Record Date**

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

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2032, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of \$5,000 on April 1, 2031, or any date thereafter, at a price of the principal amount of bonds to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by random method selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

## **Authority for Issuance**

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

On November 5, 2002, the District's voters authorized the issuance of \$58,780,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for water, sewer and drainage facilities. On November 7, 2023, the District's voters authorized the issuance of \$88,800,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities. The Bonds are issued pursuant to both elections. The Bonds are the District's ninth issuance of bonds from such \$58,780,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and the first issuance of bonds from the \$88,800,000 principal amount of unlimited tax bonds.

## **Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of \$88,800,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sewer and drainage facilities and \$58,780,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for the purpose of constructing or acquiring water, sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$68,600,000 principal amount of unlimited tax bonds for water sewer and drainage facilities authorized but unissued and no remaining authorization of waterworks and sewer system combination unlimited tax and revenue bonds for such facilities. The District's voters have also authorized a total of \$5,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has \$3,291,227 principal amount of unlimited tax refunding bonds authorized but unissued.

The District may issue such authorized but unissued bonds and any additional tax bonds or combination tax and revenue bonds voted in the future with the approval of the Commission, where applicable. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation notes, tax anticipation notes, and revenue bonds and notes.

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

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

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The District does not currently have bonds authorized but unissued for park and recreational facilities, and the Board has not considered calling a park bond election at this time.

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

### **Defeasance**

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to be paid principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any and all interest to accrue on the Bonds to maturity or redemption; or (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge, moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for redemption of the Bonds provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and /or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and /or redemption of the Bonds. Upon such payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full the amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

### **Annexation**

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 consent ordinance. Generally, the District may be annexed by the City of Houston without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District has entered into a strategic partnership agreement with the City. See “—Strategic Partnership” herein.

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

### **Consolidation**

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

## **Strategic Partnership Agreement**

The District and the City of Houston (the “City”) have entered into a Strategic Partnership Agreement (the “SPA”) pursuant to Chapter 43 of the Texas Local Government Code dated effective December 12, 2008. The SPA provides for the “limited purpose annexation” for that portion of the District which has been or is expected to be developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the effective date of the SPA.

In addition, upon the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. The City is obligated to pay to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds.

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

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

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

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

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

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

## **Amendments**

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

## **Registered Owners' Remedies**

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

## USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from the sale of the Bonds, \$19,028,623 is for construction costs and \$3,171,377 is for non-construction costs.

### CONSTRUCTION COSTS

Water, Sewer and Drainage to Serve	
Sunset Ridge, Section Eight and Sunset Ridge Commercial Second Access .....	\$ 688,479
Water Treatment Plant No. 2.....	4,551,320
Sunset Ridge Retaining Wall.....	2,210,150
District GIS Database and Application.....	125,000
Remote Read Water Meters.....	1,090,000
Water Plant No. 1 Generator Improvement.....	694,500
Water Plant No. 1 Control System and Electrical Improvements .....	611,000
Wastewater Treatment Plant Improvements .....	3,057,800
Land Costs .....	3,067,732
Contingencies .....	1,400,000
Engineering .....	1,532,642
<b>Total Construction Costs .....</b>	<b>\$ 19,028,623</b>
<b>NON-CONSTRUCTION COSTS</b>	
Legal Fees .....	\$ 555,000
Financial Advisory Fees.....	444,000
Developer Interest.....	1,309,571
Bond Discount (Estimated at 3.00%) (a).....	666,000
Bond Issuance Expenses.....	61,806
Bond Application Report.....	70,000
TCEQ Fee (0.25%).....	55,500
Attorney General Fee.....	9,500
<b>Total Non-Construction Costs .....</b>	<b>\$ 3,171,377</b>
<b>TOTAL BOND ISSUE.....</b>	<b>\$ 22,200,000</b>

(a) The TCEQ approved a maximum Bond discount of 3.00%.

In the instance that TCEQ-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of 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 DISTRICT**

### **General**

The District, located in Harris County, Texas, was created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), by an order dated June 19, 1973, pursuant to Article XVI, Section 59, Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code V.T.C.A., as amended. The District contains approximately 872 acres.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the collection of solid waste. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the Commission and the voters of the District. The District has the power to contract for peace officers to prevent or abate the commission of certain offenses against the rules of the District and the laws of the State of Texas. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities. The District does not currently have bonds authorized but unissued for park and recreational facilities.

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

### **Description and Location**

The District is located in northeast Harris County, approximately 17 miles northeast of downtown Houston. Garner’s Bayou and John Ralston Road split the east and west halves of the District and Beltway 8 splits the north and south halves of the District. Access to the District is provided by U.S. Highway 59 North to Beltway 8 to John Ralston Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston. See “AERIAL PHOTOGRAPH.”

## **STATUS OF DEVELOPMENT IN THE DISTRICT**

### **Residential Development**

Approximately 489 acres of land within the District have been developed as the single family residential subdivisions of Timberhills, Section 1, Sunset Ridge, Sections 1 through 8, Sunset Ridge West, Sections 1 through 7, Eagle Creek, Sections 1 and 3, Fall Creek East, Sections 1 and 2 and Fall Creek Sections 35, 36, and 39 through 44 (an aggregate of 2,502 lots).

As of August 22, 2024, 2,497 homes had been constructed in the District, of which 2,467 were occupied, 2 homes were under construction or listed in a builder’s name and 3 developed lots were available for home construction.

### **Multi-Family Development**

The Advenir at Eagle Creek Apartments, a 258-unit apartment complex, has been developed on approximately 12 acres in the District. The Falls at Eagle Creek Apartments, a 412-unit apartment complex, has been developed on approximately 22 acres. The Henry at Woodland Hills, a 257-unit apartment complex, has been developed on approximately 11 acres. See “TAX DATA—Principal Taxpayers.” The Eleve, a 322-unit apartment complex, has been developed on approximately 10 acres. In addition, The Standard on the Creek, a 120 unit multi-family development has been developed on approximately 6 acres in the District. The Standard on the Creek is a mixed income apartment complex and a portion of the units have rent limitations based on the tenants’ area median income. See “INVESTMENT CONSIDERATIONS—Tax-Exempt Property.”

### **Commercial Development**

Approximately 181 acres of land within the District have been developed with underground utilities for commercial purposes on which commercial improvements have been constructed on approximately 124 acres. Improvements on such commercial acreage include a Sherwin Williams paint store, a daycare, a swim school, a dental office, a mini-storage facility, a dry cleaners, an NTB tire store, an auto shop, a dog boarding facility, two motels, three gas station/convenience stores, a pawn store and a Popeye’s restaurant. There are also multiple retail centers that include several restaurants, two dental offices, an urgent care facility, a day care, a dog groomer, a barber shop, an Avis rental car, an escape room, a dialysis clinic and two salons. Approximately 57 acres served with underground utilities for commercial purposes remain without vertical improvements.

### **Other Development**

A Humble Independent School District elementary school has been constructed on approximately 15 acres of land in the District and a church has been constructed on approximately 4 acres of land in the District. The school and the church are exempt from the payment of ad valorem taxes.

### **Undevelopable Acreage**

There are approximately 122 acres in the District that are undevelopable, including drainage easements, plant sites and parks and recreational sites.

## **THE DEVELOPERS AND MAJOR LANDOWNER**

### **Role of a Developer**

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

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

The developers are not responsible for, liable for, nor have they made any commitments for payment of the Bonds or other obligations of the District. The developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of the developers is subject to change at any time.

### **Lando Development, Ltd., BWH40 Commercial, Ltd., and SSR-185 Investments, Ltd.**

SSR-185 Investments, Ltd. ("SSR-185"), a Texas limited partnership, has developed Sunset Ridge Sections 4 through 8 (442 lots on approximately 71 acres). SSR-185 owns an additional approximately 20 acres in the District. BWH40 Commercial, Ltd., an affiliate of SSR-185, also owns approximately 27 acres of commercial reserves which it has developed with water, sewer and drainage facilities. All of this acreage is being marketed for commercial purposes. SSR-185 and BWH40 Commercial Ltd. are herein referred to as the "Developers."

### **Major Landowner**

Hanover Estates, Ltd. owns approximately 21 acres of land in the District. The District is unaware of any current or future development plans on such acreage.



## MANAGEMENT OF THE DISTRICT

### **Directors and Officers**

The District is governed by a Board consisting of five directors. The Board has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms, and elections are held in May in even numbered years only. All of the directors either reside or own land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kermit D. Fisher	President	May 2026
Jude Auzenne	Vice President	May 2026
Andrias Lowe	Secretary	May 2026
Alicia Worthy	Assistant Secretary	May 2028
August Nunez	Director	May 2028

The District does not have a general manager or other employees, but the District contracts for certain necessary services as described below.

### **Tax Appraiser**

The Harris Central Appraisal District has the responsibility of appraising taxable property within Harris County, Texas, including property within the District. See “TAXING PROCEDURES.”

### **Tax Assessor/Collector**

Land, improvements and other taxable property in the District are appraised for taxation by the Harris Central Appraisal District. The District contracts with Bob Leared Interests, Inc. to act as Tax Assessor/Collector for the District.

### **Engineer**

The District’s consulting engineer is BGE, Inc. (the “Engineer”).

### **Bookkeeper**

The District has contracted with Claudia Redden & Associates, Inc. for bookkeeping services (the “Bookkeeper”).

### **Utility System Operator**

The District contracts with TNG Utility Corp. (“TNG”) for maintenance and operation of the District's system.

### **Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the Commission. The District’s audited financial statements for the year ended June 30, 2023, were prepared by McCall Gibson Swedlund Barfoot PLLC. See “APPENDIX A” for a copy of the District’s June 30, 2023 audited financial statements. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ended June 30, 2024.

### **Financial Advisor**

Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered by Masterson Advisors LLC in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

### **Bond Counsel/Attorney**

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel to the District and as Bond Counsel in connection with the issuance of the Bonds.

## **THE SYSTEM**

### **Regulation**

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

### **Water Supply**

The District has two (2) water plant facilities which serve as a primary source of potable water to the District. The two water plants have capacity to serve an aggregate of 3,330 ESFCs. Water Plant No. 1 facilities consist of one (1) 1,000 gpm water well, one (1) 150 gpm back-up water well, total booster pump capacity of 6,200 gpm, ground storage tank capacity of 750,000 gallons, and hydropneumatic tank capacity of 30,000 gallons. Water Plant No. 2 facilities consist of one (1) 1,500 gpm water well, total booster pump capacity of 3,600 gpm, ground storage tank capacity of 640,000 gallons, and hydropneumatic tank capacity of 20,000 gallons.

The District also receives treated surface water supply from the City of Houston. The District began receiving treated surface water from the City of Houston in October 2008 under its July 11, 2003 Water Supply and Groundwater Reduction Plan Wholesale Agreement with the City. The District constructed surface water transmission facilities to connect the District's water system to the City of Houston's surface water supply. The District currently receives adequate surface water supply at Water Plant No. 1 to account for 58.5% of the District's monthly water demand. In the event of an emergency at Water Plant No. 1, the District has the ability to transfer surface water supply directly to the District's system to maintain water supply. The District's water supply facilities are sufficient to serve 3,850 ESFCs. As of August, 2024, the District was serving 3,330 ESFCs with water supply.

The issuance of additional bonds by the District or the use of surplus operating funds in an undetermined amount may be necessary at some time in the future in order to expand the District's water supply system.

### **Subsidence District Requirements**

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction (as amended, the "Regulatory Plan"). Under the Regulatory Plan, the District was required to submit a groundwater reduction plan ("GRP") to the Subsidence District by January 2003 and begin construction of infrastructure identified in the GRP by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total annual water demand. Additional disincentive fees will be imposed under the Regulatory Plan if the District's groundwater withdrawal exceeds 70% of the District's total annual water demand beginning January 2010, exceeds 40% of the District's total annual water demand beginning January 2025, and exceeds 20% of the District's total annual water demand beginning January 2035.

By virtue of the City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement the District entered into with the City effective July 11, 2003, the District is included in the Groundwater Reduction Plan ("GRP") prepared by the City, in order to meet the Subsidence District requirements. 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 and is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced by the District and a water purchase fee for the water actually purchased from the City by the District via the facilities and lines discussed above under "Water Supply."

As noted above under "Water Supply," the District has connected to the City of Houston's Surface Water System and began using surface water as of October 1, 2008.

The issuance of additional bonds by the District or the use of surplus operating funds in an undetermined amount may be necessary at some time in the future in order to make additional taps into the City's system or otherwise expand the District's surface water transmission system.

### **Wastewater Treatment System**

The District's wastewater treatment is provided by a Wastewater Treatment Plant with 900,000 gallons per day ("gpd") wastewater treatment capacity, which is sufficient to serve 5,000 ESFCs based on 180 gpd per ESFC. As of August, 2024, the District was serving 3,288 ESFC. An expansion of the wastewater treatment plant is currently in the design phase. Once completed, the Engineer will apply to the TCEQ for an official re-rate approval. It is anticipated that the final re-rate capacity of the wastewater treatment plant will be sufficient to serve the District at full development.

### **100-Year Flood Plain**

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

According to the Engineer, all or portions of 22 lots in Timberhills, Section 1 are located in the flood plain. The finished floor elevations in the majority of these lots are at or above the 100-year flood plain. Further, improvements have been completed to detention ponds outfalling into Garner's Bayou and fill was placed within parts of the District, all for the purpose of removing certain lands from the flood plain. All new structures are designed and constructed to have the finished floor elevation set at least 18 inches above the 100-year flood plain in accordance with Harris County Permit Rules and Regulations.

### **Atlas 14**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service for the Outstanding Bonds plus the estimated debt service requirements for the Bonds at an assumed interest rate of 4.50% per annum.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2025	\$ 3,435,444	\$ -	\$ 915,750	\$ 915,750	\$ 4,351,194
2026	3,459,238	155,000	995,513	1,150,513	4,609,750
2027	3,440,838	160,000	988,425	1,148,425	4,589,263
2028	3,434,025	170,000	981,000	1,151,000	4,585,025
2029	3,250,503	180,000	973,125	1,153,125	4,403,628
2030	3,218,425	190,000	964,800	1,154,800	4,373,225
2031	3,230,463	200,000	956,025	1,156,025	4,386,488
2032	3,238,422	210,000	946,800	1,156,800	4,395,222
2033	3,186,172	220,000	937,125	1,157,125	4,343,297
2034	3,184,022	230,000	927,000	1,157,000	4,341,022
2035	2,765,475	240,000	916,425	1,156,425	3,921,900
2036	2,721,806	255,000	905,288	1,160,288	3,882,094
2037	2,686,188	265,000	893,588	1,158,588	3,844,775
2038	1,935,016	1,000,000	865,125	1,865,125	3,800,141
2039	1,884,347	1,000,000	820,125	1,820,125	3,704,472
2040	1,852,978	1,000,000	775,125	1,775,125	3,628,103
2041	1,172,109	1,000,000	730,125	1,730,125	2,902,234
2042	395,391	1,700,000	669,375	2,369,375	2,764,766
2043	381,797	1,700,000	592,875	2,292,875	2,674,672
2044	-	2,000,000	509,625	2,509,625	2,509,625
2045	-	2,000,000	419,625	2,419,625	2,419,625
2046	-	2,000,000	329,625	2,329,625	2,329,625
2047	-	2,000,000	239,625	2,239,625	2,239,625
2048	-	2,100,000	147,375	2,247,375	2,247,375
2049	-	2,225,000	50,063	2,275,063	2,275,063
<b>Total</b>	<b>\$ 48,872,656</b>	<b>\$22,200,000</b>	<b>\$ 18,449,550</b>	<b>\$ 40,649,550</b>	<b>\$ 89,522,206</b>

Average Annual Debt Service Requirements (2025-2049) ..... \$3,580,888  
 Maximum Annual Debt Service Requirement (2026)..... \$4,609,750

## WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

### General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District, and are further payable from and secured by the pledge of and lien on certain Net Revenues, if any, from the District's waterworks and sewer system. It is not expected that any significant Net Revenues will be available for the payment of debt service on any of the District's bonds.

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements, and the draft audited financial statements for the fiscal year ended June 30, 2024. Reference is made to statements for further and more complete information.

	Fiscal Year Ended June 30				
	2024 (a)	2023	2022	2021	2020
<b>Revenues</b>					
Property Taxes	\$ 3,156,936	\$ 2,747,764	\$ 2,373,138	\$ 2,030,367	\$ 1,610,620
Water Service	1,249,165	1,149,770	1,196,710	1,072,183	1,187,845
Wastewater Service	1,149,291	1,049,643	967,894	957,315	905,278
Sales Tax Revenues	126,775	120,410	100,917	94,247	84,806
Groundwater Reduction Fees	753,050	660,025	634,082	569,666	578,434
Penalty and Interest	93,914	76,720	68,947	39,842	40,078
Tap Connection and Inspection Fees	47,950	158,925	258,462	35,085	301,640
Investment Revenues	645,281	349,550	15,923	6,279	93,143
Miscellaneous	93,357	177,310	87,800	301,269	88,066
<b>Total Revenues</b>	<b>\$ 7,315,719</b>	<b>\$ 6,490,117</b>	<b>\$ 5,703,873</b>	<b>\$ 5,106,253</b>	<b>\$ 4,889,910</b>
<b>Expenditures</b>					
Professional Fees	\$ 363,268	\$ 508,347	\$ 166,714	\$ 381,077	\$ 209,604
Contracted Services	1,071,205	1,025,051	888,920	853,225	789,254
Purchased Water Service	794,071	516,955	451,573	421,254	452,165
Utilities	184,887	239,761	205,862	171,690	156,400
Repairs and Maintenance	772,850	618,170	627,956	788,209	775,643
Other Expenditures	818,441	710,400	521,680	403,595	446,818
Developer Interest	-	-	173,010	72,090	92,826
Capital Outlay	250,741	362,892	2,866,457 (b)	594,400 (b)	1,688,868 (b)
Bond Issuance Costs	70,000	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 4,325,463</b>	<b>\$ 3,981,576</b>	<b>\$ 5,902,172</b>	<b>\$ 3,685,540</b>	<b>\$ 4,611,578</b>
<b>Net Revenues</b>	<b>\$ 2,990,256</b>	<b>\$ 2,508,541</b>	<b>\$ (198,299)</b>	<b>\$ 1,420,713</b>	<b>\$ 278,332</b>
<b>Fund Balance (Beginning of Year)</b>	<b>\$ 10,316,508</b>	<b>\$ 7,807,967</b>	<b>\$ 8,006,266</b>	<b>\$ 6,585,553</b>	<b>\$ 6,307,221</b>
<b>Fund Balance (End of Year)</b>	<b>\$ 13,306,764</b>	<b>\$ 10,316,508</b>	<b>\$ 7,807,967</b>	<b>\$ 8,006,266</b>	<b>\$ 6,585,553</b>

(a) Draft audited financials. Subject to change.

(b) Funds expended to reimburse developers for facilities constructed on the District's behalf.

## FINANCIAL STATEMENT

2024 Taxable Assessed Valuation .....	\$966,004,417 (a)
Gross Debt Outstanding (after the issuance of the Bonds) .....	\$ 60,725,000 (b)
Estimated Overlapping Debt.....	55,290,215 (c)
Gross Debt and Estimated Overlapping Debt.....	\$116,015,215
Ratio of Gross Debt to:	
2024 Taxable Assessed Valuation .....	6.29%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2024 Taxable Assessed Valuation .....	12.01%

Area of District – 872 Acres  
Estimated 2024 Population – 11,372 (d)

- (a) The Appraisal District has certified \$903,690,502 of value as of January 1, 2024. According to the Appraisal District, an additional \$62,313,915 of value remains uncertified and subject to review and adjustment prior to certification. The above total represents the certified value plus the uncertified value. See “TAXING PROCEDURES.”
- (b) Includes the Outstanding Bonds and the Bonds. See “—Outstanding Bonds” below.
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

### Cash and Investment Balances (unaudited as of August 22, 2024)

Capital Projects Fund	Cash and Temporary Investments	\$85,622
Operating Fund	Cash and Temporary Investments	\$13,087,589
Debt Service Fund	Cash and Temporary Investments	\$5,135,959 (a)

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

### Investment Policies and Procedures

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

### Outstanding Bonds

The following table lists the original principal amount of the Outstanding Bonds and the principal amount of the Outstanding Bonds that are outstanding as of September 1, 2024.

Series	Original Principal Amount	Outstanding Bonds (as of 9/1/2024)
Unlimited Tax Refunding Bonds, Series 2014A	\$ 2,785,000	\$ 330,000
Unlimited Tax Refunding Bonds, Series 2015	5,940,000	2,440,000
WWSS Combination Unlimited Tax & Revenue Bonds, Series 2016	9,000,000	7,150,000
WWSS Combination Unlimited Tax & Revenue Bonds, Series 2017	11,110,000	8,660,000
WWSS Combination Unlimited Tax & Revenue Bonds, Series 2018	9,320,000	7,125,000
Unlimited Tax Refunding Bonds, Series 2019	9,440,000	8,600,000
Unlimited Tax Refunding Bonds, Series 2021	4,510,000	4,220,000
Total	\$ 52,105,000	\$ 38,525,000

## ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,577,839,039	8/31/2024	0.14%	\$ 3,608,975
Harris County Flood Control District.....	991,095,000	8/31/2024	0.14%	1,387,533
Harris County Department of Education.....	65,285,000	8/31/2024	0.14%	91,399
Harris County Hospital District.....	28,960,000	8/31/2024	0.14%	40,544
Port of Houston Authority.....	426,134,397	8/31/2024	0.14%	596,588
Humble Independent School District.....	1,203,935,000	8/31/2024	3.99%	48,037,007
Lone Star College District.....	509,390,000	8/31/2024	0.30%	<u>1,528,170</u>
Total Estimated Overlapping Debt.....				\$ 55,290,215
The District.....	60,725,000 (a)	Current	100.00%	<u>60,725,000</u>
Total Direct and Estimated Overlapping Debt.....				\$116,015,215
Direct and Estimated Overlapping Debt as a Percentage of:				
2024 Taxable Assessed Valuation of \$966,004,417.....				12.01%

(a) Includes the Bonds and the Outstanding Bonds.

**Overlapping Tax Rates**

Property within the District is subject to taxation by several taxing authorities in addition to the District. 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 each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “ESTIMATED OVERLAPPING DEBT STATEMENT” herein), certain taxing jurisdictions, including the District, are also 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 all of the tax rates levied within the District for the 2024 tax year by all taxing jurisdictions overlapping the District and the District’s anticipated 2024 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy or charges imposed by entities other than political subdivisions.

	2024 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority) (a).....	\$ 0.535090
Humble Independent School District.....	1.105200
Harris County ESD No. 10 (Fire).....	0.099374
Harris County ESD No. 1 (EMS) (a).....	0.082838
Lone Star College System.....	<u>0.107600</u>
Total Overlapping Tax Rate.....	\$ 1.930102
The District (b).....	<u>0.760000</u>
Total Tax Rate.....	\$ 2.690102

(a) Represents the 2023 tax rate.  
 (b) The District has published its intent to levy a 2024 tax rate of \$0.76 per \$100 of taxable assessed valuation, comprised of \$0.42 for debt service and \$0.34 for maintenance and operations. The District expects to levy such tax rate in October 2024. See “TAX DATA—Tax Rate Distribution.”



## TAX DATA

### Debt Service Tax

The Board will covenant in the Bond Order to levy and collect, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of the District's outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds.

### Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, upon authorization of the District's voters. At a maintenance tax election conducted April 5, 1986, voters of the District authorized the Board to levy a maintenance tax at a rate not to exceed \$0.35 per \$100 assessed valuation. The maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Outstanding Bonds.

### Tax Rate Distribution

The following is the distribution of the District's total tax rate between debt service and maintenance taxes for the tax years 2020 through 2023 and the District's anticipated 2024 tax rate.

	Anticipated 2024 (a)	2023	2022	2021	2020
Debt Service	\$ 0.42	\$ 0.42	\$ 0.46	\$ 0.49	\$ 0.53
Maintenance and Operations	0.34	0.35	0.35	0.35	0.32
Total	\$ 0.76	\$ 0.77	\$ 0.81	\$ 0.84	\$ 0.85

(a) The District has published its intent to levy a 2024 tax rate of \$0.76 per \$100 of taxable assessed valuation, comprised of \$0.42 for debt service and \$0.34 for maintenance and operations. The District expects to levy such tax rate in October 2024.

### Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2024 (a)	
				Amount	Percent
2019	\$ 596,202,035	\$ 0.84	\$ 5,008,097	\$ 5,001,984	99.88%
2020	638,049,042	0.85	5,423,417	5,414,289	99.83%
2021	684,775,579	0.84	5,752,115	5,741,357	99.81%
2022	783,514,309	0.81	6,346,466	6,320,368	99.59%
2023	907,328,498	0.77	6,986,429	6,918,615	99.03%

(a) Unaudited.

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

### Additional Penalties

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

**Principal Taxpayers**

The following table represents the principal taxpayers for 2024, the type of property, the certified taxable assessed value of such property, and such property’s assessed value as a percentage of the certified portion (\$903,690,502) of the District's 2024 Taxable Assessed Valuation of \$966,004,417. A principal taxpayer list related to the uncertified portion (\$62,313,915) of the 2024 Taxable Assessed Valuation is not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Certified Taxable Assessed Valuation</u>	<u>% of 2024 Certified Taxable Assessed Valuation</u>
Eagle Creek Acquisition LLC	Multi-Family	\$ 40,982,379	4.54%
Eleve Apartments LTD	Multi-Family	40,229,343	4.45%
Momentum Generation Park (a)	Multi-Family	33,516,811	3.71%
Advenir at Eagle Creek LLC	Multi-Family	29,842,298	3.30%
Ralston REH LLC	Multi-Family	24,437,737	2.70%
BWH40 Commercial LTD (b)	Commercial	14,486,985	1.60%
Humble Storage 18 (TX) LLC	Self-Storage	7,001,929	0.77%
Centerpoint Energy HOU	Personal Property	5,909,370	0.65%
DEB Fall Creek Holdings	Commercial	5,886,206	0.65%
SSR 185 Investments LTD (b)	Commercial	5,869,701	0.65%
<b>Total</b>		<b>\$ 208,162,759</b>	<b>23.03%</b>

- (a) Momentum Generation Park (The Henry at Woodland Hills) apartment complex is expected to become a tax-exempt property, which will be reflected on future tax rolls. See “INVESTMENT CONSIDERATIONS—Tax-Exempt Property.”
- (b) See “THE DEVELOPERS AND MAJOR LANDOWNER.”

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2024 Taxable Assessed Valuation of \$966,004,417 (\$903,690,502 of certified value plus \$62,313,915 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2025-2049) .....	\$3,580,888
\$0.40 Tax Rate on 2024 Taxable Assessed Valuation.....	\$3,670,817
Maximum Annual Debt Service Requirement (2026).....	\$4,609,750
\$0.51 Tax Rate on 2024 Taxable Assessed Valuation.....	\$4,680,291

No representations or suggestions are made that the uncertified portion of the 2024 Taxable Assessed Valuation will not be adjusted downward prior to certification, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

## TAXING PROCEDURES

### **Authority to Levy Taxes**

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

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

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

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

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. For tax year 2024, the District has adopted a residential homestead exemption in the amount of \$30,000 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. Subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. See “TAX DATA.”

Partially disabled veterans or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. The surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

**Residential Homestead Exemptions:** The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has not granted such a general homestead exemption. See “TAX DATA.”

**Freeport Goods and Goods-in-Transit Exemptions:** A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating

purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

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

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

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

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

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

## **District and Taxpayer Remedies**

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

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District 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.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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

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

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

*Developed Districts:* Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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, may be required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions plus any unused increment rates. However, pursuant to a 2023 amendment of the Texas Water Code, an election is not required if a Developed District adopts a tax rate that exceeds the mandatory tax election rate but is less than or equal to the voter approval rate. 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 are 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 a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

*The District:* A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis. 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 rollback election calculation. For tax year 2024, the Board designated the District as a "Developing District."

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS."

### **Tax Exemption Provided to Public Facility Corporations and Certain Lessees**

Chapter 392 of the Texas Local Government Code authorizes a housing authority to exempt certain property from all taxes and special assessments of a political subdivision, including a municipal utility district, if certain conditions are met and Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by

the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071 to amend the PFC Act. H.B. 2071 significantly revised the PFC Act's requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements.

## **INVESTMENT CONSIDERATIONS**

### **General**

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

### **Dependence on Principal Taxpayers**

The ten principal taxpayers represent \$208,162,759 or approximately 23.03% of the certified portion (\$903,690,502) of the 2024 Taxable Assessed Valuation of \$966,004,417, which represents certified ownership as of January 1, 2024. See "TAX DATA—Principal Taxpayers" and "THE DEVELOPERS AND MAJOR LANDOWNER." The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

### **Tax-Exempt Property**

Several multi-family complexes are located within the District. Chapter 392 of the Texas Local Government Code allows a housing authority to exempt certain property from all taxes and special assessments of a political subdivision, including a municipal utility district, if certain conditions are met. Under Chapter 392, the Houston Housing Authority has exempted certain apartment complexes in the greater Houston metropolitan region from property taxes in exchange for making some units affordable housing. One such apartment complex within the District, The Henry at Woodland Hills, has been the subject of a resolution approved by the Houston Housing Authority for the Houston Housing Authority to facilitate the acquisition of that property, and the property is anticipated to become tax-exempt. If any multi-family development within the District is designated as an affordable housing apartment community and exempted from property taxes under Chapter 392, the District may have to make adjustments to (i) its maintenance and operations tax rate to maintain adequate operating reserves or (ii) its debt service tax rate to adequately provide funds to pay the principal and interest on its then Outstanding Bonds.

### **Vacant Land and Lots**

Approximately 57 acres in the District served with underground utilities for commercial purposes remain without vertical improvements. In addition, there are 3 vacant developed single-family residential lots in the District. Failure of the Developers or builders to construct taxable improvements on the developed land and lots could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of this acreage will occur or the timing of new commercial and home construction. See "THE DISTRICT—Land Use" and "—Status of Development."

### **Landowner Obligation to the District**

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

### **Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2024 Taxable Assessed Valuation of the District (see “FINANCIAL STATEMENT”) is \$966,004,417 (\$903,690,502 of certified value plus \$62,313,915 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$4,609,750 (2026) and the average annual debt service requirement will be \$3,580,888 (2025-2049, inclusive). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation, a tax rate of \$0.51 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of \$0.40 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See “DEBT SERVICE REQUIREMENTS.”

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2024 Taxable Assessed Valuation, the District can make no representations regarding the future level of taxable assessed valuation within the District. Increases in the tax rate may be required in the event the District's taxable assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes, commercial improvements and other taxable improvements within the District.

### **Future Debt**

The District has reserved in the Bond Order the right to issue obligations other than the Bonds and the Outstanding Bonds, including tax anticipation notes, bond anticipation notes, and to borrow for any valid corporate purpose. The District's voters have authorized the issuance of a total of \$88,800,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sewer and drainage facilities and \$58,780,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for the purpose of constructing or acquiring water, sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$68,600,000 principal amount of unlimited tax bonds for water sewer and drainage facilities authorized but unissued and no remaining authorization of waterworks and sewer system combination unlimited tax and revenue bonds for such facilities. The District's voters have also authorized a total of \$5,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has \$3,291,227 principal amount of unlimited tax refunding bonds authorized but unissued. After reimbursement with the proceeds of the Bonds, the District will continue to owe the Developer approximately \$1,600,000 (as of September 26, 2024) for which they have not yet been reimbursed. The future issuance of additional obligations may adversely affect the security for the Bonds and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuation or tax collections and does not otherwise limit the amount of additional bonds or other obligations which may be issued. The issuance of additional unlimited tax bonds (other than refunding bonds), if any, however, is subject to approval by the Commission under guidelines of feasibility established by the Commission. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “THE DISTRICT—General.”

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

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

### **Extreme Weather Events**

The greater Houston area, including Harris County, is subject to occasional severe weather events, including 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. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the Engineer, the District experienced damage to a detention pond during Hurricane Harvey. Repairs to the detention pond were financed through a FEMA claim and have been completed. The District also experienced damage to a retaining wall, a portion of which has been repaired. Future repairs are under design for remediation. A portion of the Bond proceeds are being used to fund this project. The District's System (as defined herein) did not have interruption of water and sewer service as a result of Hurricane Harvey. Approximately 50 homes and three businesses within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.



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

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

### **Environmental Regulation and Air Quality**

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

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

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

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

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

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

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls, including SIP revisions, 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 Issue: Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

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

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

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

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

## **Tax Collections Limitations**

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

## **Registered Owners' Remedies and Bankruptcy Limitations**

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

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

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

### **Marketability**

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

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

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

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

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

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

## **MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned an underlying rating of “A” to the Bonds. An explanation of the rating may be obtained from S&P. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser (hereinafter defined).

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

Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser’s expense.

## LEGAL MATTERS

### **Legal Opinion**

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

### **Legal Review**

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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

## TAX MATTERS

### **Opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Collateral Federal Income Tax Consequences**

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

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

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

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

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

## **Future and Proposed Legislation**

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

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

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

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

The District will not designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

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

### Prices and Marketability

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

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

### Securities Laws

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

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

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

### Financial Advisor

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

“the summaries of the Bond Order, District contracts and provisions of state and federal law contained under the captions “THE BONDS (except for “Book-Entry Only System”),” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS” and “TAX MATTERS”—Smith, Murdaugh, Little & Bonham, L.L.P.; “STATUS OF DEVELOPMENT IN THE DISTRICT” and “THE SYSTEM”—BGE, Inc. and TNG; “SELECTED FINANCIAL INFORMATION (UNAUDITED),” “ESTIMATED OVERLAPPING DEBT STATEMENT” and “TAX DATA”—Harris Central Appraisal District, Bob Leared Interests, Inc. and the Municipal Advisory Council of Texas.



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

### **Consultants**

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

*Appraisal District:* The information contained in this Official Statement relating to the 2024 Taxable Assessed Valuation has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity as an expert in appraising the values of property in Harris County, including the District.

*Tax Assessor/Collector:* The information contained in this Official Statement relating to the historical breakdown of the District's assessed value particularly the sections entitled "TAX DATA—Historical Tax Collections—Tax Roll Information—Principal Taxpayers" has been provided by Bob Leared Interests, Inc. and is included herein in reliance upon the authority of such entity as an expert in assessing and collecting taxes.

*Engineer:* The information contained in this Official Statement relating to engineering and to the description of the District's water and sewer system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by BGE, Inc., and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

*Auditor:* The District's audited financial statements for the year ended June 30, 2023, were prepared by McCall Gibson Swedlund & Barfoot, PLLC and have been included herein as "APPENDIX A." McCall Gibson Swedlund & Barfoot, PLLC has authorized the use of these financial statements in conjunction with the sale of the Bonds as they appear in "APPENDIX A." The information related to the draft audited financial statements for the fiscal year ended June 30, 2024 of the District's General Fund as it appears in "WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT" has been provided by McCall Gibson Swedlund & Barfoot, PLLC.

### **Updating the Official Statement**

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

### **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

## **Annual Reports**

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT,” “TAX DATA” (except for the subsection entitled “Tax Adequacy for Debt Service”), “THE SYSTEM,” and “WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT” (most of which information is contained in the District’s annual audit report) and in Appendix A. The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2024.

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

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

## **Specified Event Notices**

The District will provide timely notices of certain events to the MSRB, 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (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 the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

## **Availability of Information from the MSRB**

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

## **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

**Compliance With Prior Undertakings**

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

**MISCELLANEOUS**

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 49, as of the date shown on the cover page.

/s/ \_\_\_\_\_  
President, Board of Directors

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors

**AERIAL PHOTOGRAPH**  
**(As of August 2024)**

**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT No. 49**



**BELTWAY 8**

**WOODLAND HILLS DR.**



**PHOTOGRAPHS OF THE DISTRICT  
(As of August 2024)**















**APPENDIX A**

**District Audited Financial Statements for the fiscal year ended June 30, 2023**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2023**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2023**





# TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-31
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	33
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	35-37
GENERAL FUND EXPENDITURES	38-39
INVESTMENTS	40
TAXES LEVIED AND RECEIVABLE	41-42
LONG-TERM DEBT SERVICE REQUIREMENTS	43-50
CHANGE IN LONG-TERM BOND DEBT	51-53
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	54-57
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	58-59



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

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

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Harris County Municipal Utility District No. 49  
Harris County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 49 (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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



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

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

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

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

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

### **Required Supplementary Information**

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



Board of Directors  
Harris County Municipal Utility District No. 49

### **Supplementary Information**

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

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

October 26, 2023





# **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED JUNE 30, 2023**

Management's discussion and analysis of Harris County Municipal Utility District No. 49's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements.

#### **USING THIS ANNUAL REPORT**

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

#### **FUND FINANCIAL STATEMENTS**

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$14,587,988 as of June 30, 2023.

A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 17,295,085	\$ 15,555,413	\$ 1,739,672
Capital Assets (Net of Accumulated Depreciation)	<u>46,788,221</u>	<u>46,027,858</u>	<u>760,363</u>
Total Assets	<u>\$ 64,083,306</u>	<u>\$ 61,583,271</u>	<u>\$ 2,500,035</u>
Deferred Outflows of Resources	<u>\$ 752,712</u>	<u>\$ 846,767</u>	<u>\$ (94,055)</u>
Due to Developer	\$ 6,905,693	\$ 6,905,693	\$
Long -Term Liabilities	38,923,904	41,144,439	2,220,535
Other Liabilities	<u>4,418,433</u>	<u>3,777,160</u>	<u>(641,273)</u>
Total Liabilities	<u>\$ 50,248,030</u>	<u>\$ 51,827,292</u>	<u>\$ 1,579,262</u>
Net Position:			
Net Investment in Capital Assets	\$ (442,413)	\$ (1,592,561)	\$ 1,150,148
Restricted	4,603,202	4,295,636	307,566
Unrestricted	<u>10,427,199</u>	<u>7,899,671</u>	<u>2,527,528</u>
Total Net Position	<u>\$ 14,587,988</u>	<u>\$ 10,602,746</u>	<u>\$ 3,985,242</u>

The following table provides comparative analysis of the District's operations for the years ending June 30, 2023, and June 30, 2022. The District's net position increased by \$3,985,242.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 6,412,209	\$ 5,692,096	\$ 720,113
Charges for Services	3,276,949	3,276,710	239
Other Revenues	<u>761,590</u>	<u>123,100</u>	<u>638,490</u>
Total Revenues	<u>\$ 10,450,748</u>	<u>\$ 9,091,906</u>	<u>\$ 1,358,842</u>
Expenses for Services	<u>6,465,506</u>	<u>5,899,226</u>	<u>(566,280)</u>
Change in Net Position	\$ 3,985,242	\$ 3,192,680	\$ 792,562
Net Position, Beginning of Year	<u>10,602,746</u>	<u>7,410,066</u>	<u>3,192,680</u>
Net Position, End of Year	<u>\$ 14,587,988</u>	<u>\$ 10,602,746</u>	<u>\$ 3,985,242</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

The District's combined fund balances as of June 30, 2023, were \$15,081,940, an increase of \$1,065,364 from the prior year.

The General Fund fund balance increased by \$2,508,541, primarily due to current year service revenues and property taxes exceeding operating and capital costs.

The Debt Service Fund fund balance increased by \$248,518, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$1,691,695 due to the use of capital funds for Water Plant No. 2, Phase 1 construction and improvements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year. Actual revenues were \$741,017 more than budgeted revenues, primarily due to higher than anticipated property tax revenues, tap connection and inspection fees, investment revenues and miscellaneous revenues. Actual expenditures were \$4,024,124 less than budgeted expenditures, primarily due to lower than anticipated capital outlay expenditures offset by higher than expected professional fees and other expenditures.

**CAPITAL ASSETS**

The District's capital assets as of June 30, 2023, totaled \$46,788,221 (net of accumulated depreciation) and included land and construction in progress as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,471,471	\$ 2,471,471	\$
Construction in Progress	7,174,899	5,083,930	2,090,969
Capital Assets, Net of Accumulated Depreciation:			
Water System	6,678,369	6,926,581	(248,212)
Wastewater System	9,372,180	9,749,217	(377,037)
Drainage System	21,091,302	21,796,659	(705,357)
Total Net Capital Assets	\$ 46,788,221	\$ 46,027,858	\$ 760,363

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**LONG-TERM DEBT ACTIVITY**

As of June 30, 2023, the District had total bond debt payable of \$40,705,000. The changes in the debt position of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Bond Debt Payable, July 1, 2022	\$ 42,840,000
Less: Bond Principal Paid	<u>2,135,000</u>
Bond Debt Payable, June 30, 2023	<u>\$ 40,705,000</u>

The District’s bonds have an underlying rating of “BBB+”. The Series 2014A Refunding and Series 2015 Refunding Bonds carry an “AA” rating by virtue of bond insurance issued by Build America Mutual. The Series 2017, Series 2018, Series 2019 Refunding and Series 2021 Refunding Bonds carry an insured rating of “AA” from Standard & Poor’s by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The above ratings reflect all rating changes during the fiscal year ended June 30, 2023.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The adopted budget for fiscal year 2024 projects a General Fund fund balance decrease of \$2,399,414. Revenues are budgeted to be \$6,249,100, while expenditures, of which \$4,950,000 is capital outlay, are budgeted to be \$8,648,514.

**CONTACTING THE DISTRICT’S MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 49, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2023**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 585,512	\$ 255,688
Investments	10,592,513	4,492,216
Receivables:		
Property Taxes	74,497	123,039
Penalty and Interest on Delinquent Taxes		
Service Accounts	302,888	
Sales Tax	33,506	
Other	3,980	
Due from Other Funds		16
Prepaid Costs	51,734	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 11,644,630</b>	<b>\$ 4,870,959</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 11,644,630</b>	<b>\$ 4,870,959</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 111,673	\$ 952,873	\$	\$ 952,873
569,555	15,654,284		15,654,284
	197,536		197,536
		62,090	62,090
	302,888		302,888
	33,506		33,506
	3,980		3,980
371,867	371,883	(371,883)	
	51,734	36,194	87,928
		2,471,471	2,471,471
		7,174,899	7,174,899
		37,141,851	37,141,851
\$ 1,053,095	\$ 17,568,684	\$ 46,514,622	\$ 64,083,306
\$ -0-	\$ -0-	\$ 752,712	\$ 752,712
\$ 1,053,095	\$ 17,568,684	\$ 47,267,334	\$ 64,836,018

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2023**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 409,032	\$
Accrued Interest Payable		
Due to Other Governmental Units	51,183	
Due to Developers	3,550	
Due to Other Funds	371,883	
Due to Taxpayers		5,189
Security Deposits	417,977	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 1,253,625</b>	<b>\$ 5,189</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 74,497	\$ 123,039
<b>FUND BALANCES</b>		
Nonspendable -		
Prepaid Costs	\$ 51,734	\$
Restricted for Authorized Construction		
Restricted for Debt Service		4,742,731
Assigned for 2024 Budget Deficit	2,399,414	
Unassigned	7,865,360	
<b>TOTAL FUND BALANCES</b>	<b>\$ 10,316,508</b>	<b>\$ 4,742,731</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 11,644,630</b>	<b>\$ 4,870,959</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,030,394	\$ 1,439,426	\$	\$ 1,439,426
	51,183	324,658	324,658
	3,550	6,902,143	51,183
	371,883	(371,883)	6,905,693
	5,189		5,189
	417,977		417,977
		2,180,000	2,180,000
		38,923,904	38,923,904
<u>\$ 1,030,394</u>	<u>\$ 2,289,208</u>	<u>\$ 47,958,822</u>	<u>\$ 50,248,030</u>
<u>\$ -0-</u>	<u>\$ 197,536</u>	<u>\$ (197,536)</u>	<u>\$ -0-</u>
\$ 22,701	\$ 51,734	\$ (51,734)	\$
	22,701	(22,701)	
	4,742,731	(4,742,731)	
	2,399,414	(2,399,414)	
	7,865,360	(7,865,360)	
<u>\$ 22,701</u>	<u>\$ 15,081,940</u>	<u>\$ (15,081,940)</u>	<u>\$ - 0 -</u>
<u>\$ 1,053,095</u>	<u>\$ 17,568,684</u>		
		\$ (442,413)	\$ (442,413)
		4,603,202	4,603,202
		10,427,199	10,427,199
		<u>\$ 14,587,988</u>	<u>\$ 14,587,988</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

Total Fund Balances - Governmental Funds \$ 15,081,940

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

Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds. 36,194

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 752,712

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 46,788,221

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District. 259,626

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (6,902,143)	
Accrued Interest Payable	(324,658)	
Bonds Payable Within One Year	(2,180,000)	
Bonds Payable After One Year	<u>(38,923,904)</u>	<u>(48,330,705)</u>

Total Net Position - Governmental Activities \$ 14,587,988

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 2,747,764	\$ 3,613,914
Water Service	1,149,770	
Wastewater Service	1,049,643	
Sales Tax Revenues	120,410	
Groundwater Reduction Fees	660,025	
Penalty and Interest	76,720	45,486
Tap Connection and Inspection Fees	158,925	
Investment Revenues	349,550	178,533
Miscellaneous Revenues	177,310	16,343
<b>TOTAL REVENUES</b>	<u>\$ 6,490,117</u>	<u>\$ 3,854,276</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 508,347	\$ 15,938
Contracted Services	1,025,051	78,515
Purchased Water Service	516,955	
Utilities	239,761	
Repairs and Maintenance	618,170	
Depreciation		
Other	710,400	14,642
Capital Outlay	362,892	
Debt Service:		
Bond Principal		2,135,000
Bond Interest		1,361,663
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 3,981,576</u>	<u>\$ 3,605,758</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 2,508,541	\$ 248,518
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JULY 1, 2022</b>	<u>7,807,967</u>	<u>4,494,213</u>
<b>FUND BALANCES/NET POSITION - JUNE 30, 2023</b>	<u>\$ 10,316,508</u>	<u>\$ 4,742,731</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 6,361,678	\$ 50,531	\$ 6,412,209
	1,149,770		1,149,770
	1,049,643		1,049,643
	120,410		120,410
	660,025		660,025
	122,206	15,970	138,176
	158,925		158,925
39,854	567,937		567,937
	193,653		193,653
<u>\$ 39,854</u>	<u>\$ 10,384,247</u>	<u>\$ 66,501</u>	<u>\$ 10,450,748</u>
\$	\$ 524,285	\$	\$ 524,285
	1,103,566		1,103,566
	516,955		516,955
	239,761		239,761
	618,170		618,170
		1,331,971	1,331,971
2,107	727,149		727,149
1,729,442	2,092,334	(2,092,334)	
	2,135,000	(2,135,000)	
	1,361,663	41,986	1,403,649
<u>\$ 1,731,549</u>	<u>\$ 9,318,883</u>	<u>\$ (2,853,377)</u>	<u>\$ 6,465,506</u>
\$ (1,691,695)	\$ 1,065,364	\$ (1,065,364)	\$
		3,985,242	3,985,242
1,714,396	14,016,576	(3,413,830)	10,602,746
<u>\$ 22,701</u>	<u>\$ 15,081,940</u>	<u>\$ (493,952)</u>	<u>\$ 14,587,988</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds \$ 1,065,364

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 50,531

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 15,970

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (1,331,971)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 2,092,334

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 2,135,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (41,986)

Change in Net Position - Governmental Activities \$ 3,985,242

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1. CREATION OF DISTRICT**

Harris County Municipal Utility District No. 49, located in Harris County, Texas (the “District”) was created effective June 19, 1973, by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapter 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 21, 1973, and the first bonds were sold on July 25, 1978.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Governmental Funds

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

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

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

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Capital Assets (Continued)

expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs, that extend the life of an asset, are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-40
All Other Equipment	3-20

Budgeting

An annual unappropriated budget was adopted for the General Fund by the District’s Board of Directors on June 30, 2022. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended on December 21, 2022. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurements focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District has assigned fund balance of \$2,399,414 for the fiscal year 2024 budgeted deficit in the General Fund.

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

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3. LONG-TERM DEBT**

	<u>Refunding Series 2014A</u>	<u>Refunding Series 2015</u>		
Amount Outstanding – June 30, 2023	\$ 650,000	\$ 2,695,000		
Interest Rates	3.125% - 3.25%	4.00%		
Maturity Dates – Serially Beginning/Ending	April 1, 2024/2025	April 1, 2024/2032		
Interest Payment Dates	October 1/April 1	October 1/April 1		
Callable Dates	April 1, 2022*	April 1, 2023*		
	<u>Series 2016</u>	<u>Series 2017</u>	<u>Series 2018</u>	
Amount Outstanding – June 30, 2023	\$ 7,425,000	\$ 9,010,000	\$ 7,500,000	
Interest Rates	2.00% - 3.50%	2.25% - 3.50%	3.00% - 3.625%	
Maturity Dates – Serially Beginning/Ending	April 1, 2024/2040	April 1, 2024/2041	April 1, 2024/2043	
Interest Payment Dates	October 1/April 1	October 1/April 1	October 1/April 1	
Callable Dates	April 1, 2024*	April 1, 2024*	April 1, 2023*	
	<u>Refunding Series 2019</u>	<u>Refunding Series 2021</u>		
Amount Outstanding – June 30, 2023	\$ 9,100,000	\$ 4,325,000		
Interest Rates	2.00% - 4.00%	2.00% - 3.00%		
Maturity Dates – Serially Beginning/Ending	April 1, 2024/2034	April 1, 2024/2037		
Interest Payment Dates	October 1/April 1	October 1/April 1		
Callable Dates	April 1, 2025*	April 1, 2026*		

\* In whole or in part, or any date thereafter at par plus unpaid accrued interest. Series 2016 term bonds maturing April 1, 2040 are subject to mandatory sinking fund redemption beginning April 1, 2037. Series 2018 term bonds maturing April 1, 2043 are subject to mandatory sinking fund redemption beginning April 1, 2039. Series 2021 Refunding term bonds maturing April 1, 2027, April 1, 2029, and April 1, 2032 are subject to mandatory sinking fund redemption beginning April 1, 2026, April 1, 2028, and April 1, 2031, respectively.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3. LONG-TERM DEBT**

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

	July 1, 2022	Additions	Retirements	June 30, 2023
Bonds Payable	\$ 42,840,000	\$	\$ 2,135,000	\$ 40,705,000
Unamortized Discounts	(29,744)		(1,469)	(28,275)
Unamortized Premiums	469,183		42,004	427,179
Bonds Payable, Net	\$ 43,279,439	\$ -0-	\$ 2,175,535	\$ 41,103,904
			Amount Due Within One Year	\$ 2,180,000
			Amount Due After One Year	38,923,904
			Bonds Payable, Net	\$ 41,103,904

The District has fully retired its \$2,400,000 Series 1978 Bonds which were issued from a \$12,500,000 authorization voted in 1977. The November 5, 2002, authorization of \$58,780,000 supercedes all previous bond authorizations. The District has additional authorized but unissued tax bonds totaling \$2,000,000 and authorized but unissued refunding bonds totaling \$3,291,227.

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

Fiscal Year	Principal	Interest	Total
2024	\$ 2,180,000	\$ 1,298,626	\$ 3,478,626
2025	2,230,000	1,238,025	3,468,025
2026	2,320,000	1,172,863	3,492,863
2027	2,370,000	1,105,613	3,475,613
2028	2,435,000	1,036,062	3,471,062
2029-2033	12,315,000	4,015,681	16,330,681
2034-2038	11,500,000	1,971,918	13,471,918
2039-2043	5,355,000	426,508	5,781,508
	\$ 40,705,000	\$ 12,265,296	\$ 52,970,296

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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. The Series 2016, Series 2017 and Series 2018 bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's water and wastewater system. During the year ended June 30, 2023, the District levied an ad valorem debt service tax rate of \$0.46 per \$100 of assessed valuation, which resulted in a tax levy of \$3,647,559 on the adjusted taxable valuation of \$792,947,527 for the 2022 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

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

The District has covenanted in its bond orders to provide continuing disclosure of certain general financial information and operating data, and notices of certain events, to the Municipal Securities Rulemaking Board and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond orders state that so long as any of the bonds remain outstanding, the District covenants that it will maintain and operate the system and maintain casualty loss and other insurance on the system of a kind and in such amounts customarily carried on similar systems by municipal utility districts in the State of Texas.

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$952,873 and the bank balance was \$1,196,073. Of the bank balance, \$992,056 was covered by federal depository insurance, and the remaining balance was covered by collateral pledged in the name of the District and held in a third-party depository. The District was not exposed to custodial credit risk at year-end.

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

	Cash
GENERAL FUND	\$ 585,512
DEBT SERVICE FUND	255,688
CAPITAL PROJECTS FUND	111,673
TOTAL DEPOSITS	\$ 952,873

Investments

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



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Investments (Continued)

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

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

The District also invested in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor and UMB Bank, N.A., serves as the custodian for the pool. Texas CLASS is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS participants. The fair value of the District’s position in the pool is the same as the value of pool shares.

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

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 10,161,956	\$ 10,161,956	\$	\$	\$
Texas CLASS	430,557	430,557			
<u>DEBT SERVICE FUND</u>					
TexPool	3,943,287	3,943,287			
Texas CLASS	548,929	548,929			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	569,555	569,555			
<b>TOTAL INVESTMENTS</b>	<b>\$ 15,654,284</b>	<b>\$ 15,654,284</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the District's investments in TexPool and Texas CLASS were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

**NOTE 6. CAPITAL ASSETS**

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

	July 1, 2022	Increases	Decreases	June 30, 2023
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 2,471,471	\$	\$	\$ 2,471,471
Construction in Progress	5,083,930	2,090,969		7,174,899
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 7,555,401</b>	<b>\$ 2,090,969</b>	<b>\$ - 0 -</b>	<b>\$ 9,646,370</b>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 10,624,389	\$	\$	\$ 10,624,389
Wastewater System	15,036,665			15,036,665
Drainage System	28,941,639	1,365		28,943,004
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 54,602,693</b>	<b>\$ 1,365</b>	<b>\$ - 0 -</b>	<b>\$ 54,604,058</b>
<b>Accumulated Depreciation</b>				
Water System	\$ 3,697,808	\$ 248,212	\$	\$ 3,946,020
Wastewater System	5,287,448	377,037		5,664,485
Drainage System	7,144,980	706,722		7,851,702
<b>Total Accumulated Depreciation</b>	<b>\$ 16,130,236</b>	<b>\$ 1,331,971</b>	<b>\$ - 0 -</b>	<b>\$ 17,462,207</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 38,472,457</b>	<b>\$ (1,330,606)</b>	<b>\$ - 0 -</b>	<b>\$ 37,141,851</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 46,027,858</b>	<b>\$ 760,363</b>	<b>\$ - 0 -</b>	<b>\$ 46,788,221</b>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 7. MAINTENANCE TAX**

On August 13, 1977, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.20 per \$100 of assessed valuation of taxable property within the District. On April 5, 1986, voters increased the ceiling on maintenance taxes to \$0.35 per \$100 of assessed valuation. During the fiscal year ended June 30, 2023, the District levied an ad valorem maintenance tax rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$2,775,316 on the adjusted taxable valuation of \$792,947,527 for the 2022 tax year.

**NOTE 8. DUE TO DEVELOPERS**

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As reflected in the Statement of Net Position, \$6,902,143 has been recorded as a liability for facilities financed by Developers which the District now operates and maintains and for monies advanced to the District for construction costs to be paid directly by the District. Reimbursements to the Developers will come from future bond sales.

Due to Developers, July 1, 2022	# \$ 6,902,143
Current Year Additions	
Current Year Reimbursements	
Due to Developers, June 30, 2023	\$ 6,902,143

**NOTE 9. RISK MANAGEMENT**

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

**NOTE 10. CITY OF HOUSTON WATER SUPPLY AND GROUNDWATER  
REDUCTION PLAN WHOLESALE AGREEMENT**

On July 11, 2003, the District entered into a City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Subsidence District (the “Agreement”) with the City of Houston, Texas (the “City”). Under the terms of the Agreement, the City is responsible for the design, construction and operation of a project to achieve regulatory compliance with the Harris-Galveston Subsidence District’s (the “Subsidence District”) requirements to reduce the total amount of groundwater withdrawn by non-exempt Area 3 pumpers of groundwater from wells. The Subsidence District’s deadlines are as follows:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 10. CITY OF HOUSTON WATER SUPPLY AND GROUNDWATER REDUCTION PLAN WHOLESALE AGREEMENT (Continued)**

January 2005 for commencement of construction of the initial phase; January 2010 deadline for reduction of groundwater withdrawals such that the City and participants, including the District, have a total withdrawal of groundwater of no more than 70% of overall demand, and subsequent deadlines in 2025 and 2035 for further reduction of groundwater withdrawals.

The District began taking water under the Agreement in October, 2008. The City will determine the minimum amount of water to be taken and establish maximum peak rates of flow. Purchased water costs totaled \$516,955 during the current fiscal year.

The City has developed a Groundwater Reduction Plan (“GRP”) for itself, the District and all other entities who execute a similar agreement with the City. The GRP is based upon the project to supply treated water from alternative sources and includes a plan for co-permitting all groundwater wells owned or controlled by the other participants in accordance with requirements of the Subsidence District. The City and District agree to cooperate to allow co-permitting of their wells under the Subsidence District’s rules as provided in the GRP. The payment commencement date for the District, under the agreement, is based on the renewal dates of the District’s Subsidence District withdrawal permit on or after 2003 or the date on which delivery of treated water to the District commences if such date is earlier. The payment amount is calculated by formulas which are specified in the Agreement based on whether the District has connected to the project or not, as well as quantity of groundwater pumped by the District, and the base GRP Rate per thousand gallons as set by City ordinance. The term of the Agreement extends until noon on December 31, 2040, unless sooner terminated pursuant to the terms of the Agreement.

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT**

On December 12, 2008, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. In accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City has annexed certain land within the District (the Subject Tract) for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Subject Tract. The District continues to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

No taxable property within the Subject Tract shall 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 within the District. Provisions of the Regulatory Plan adopted by the City are applicable to the Subject Tract of land within the District. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation. If the Subject Tract is annexed for limited purposes by the City, the qualified voters of the Subject Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Subject Tract.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

The City imposed a Sales and Use Tax within the boundaries of the Subject Tract upon the limited-purpose annexation of the Subject Tract. The Sales and Use Tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller's office. 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 term of this Agreement is 30 years from the effective date of the Agreement. During the current year, the District recognized sales tax revenues of \$120,410 under this Agreement and had outstanding receivables due from the City of \$33,506 at June 30, 2023.

**NOTE 12. INTERFUND LIABILITIES**

As of June 30, 2023, the District recorded an interfund payable of \$6,656 due from the Debt Service Fund to the General Fund for maintenance tax revenues, an interfund payable of \$6,672 due from the General Fund to Debt Service Fund for costs related to previously issued refunding bonds, and an interfund payable of \$371,867 due from the General Fund to the Capital Projects Fund for funding of current and prior year capital costs.

**NOTE 13. EMERGENCY WATER SUPPLY CONTRACT**

On April 22, 2010, the District executed an emergency water supply contract with Harris County Water Control and Improvement District No. 96 ("District No. 96"). The contract provides that each district will construct a water line to the point of interconnect. Each district will be responsible for the construction of the water line on their respective sides of the point of interconnect. The District will pay for the construction of the interconnect facilities. The price to be paid for water delivered shall be billed at the cost to the supplying party for surface water. The term of the agreement is for 50 years.

**NOTE 14. WATER SUPPLY CONTRACT**

On August 25, 2011, the District executed a water supply agreement with Harris County Water Control and Improvement District No. 96 ("District No. 96"). The agreement was amended by instrument executed February 7, 2012. Under the agreement, as amended, the District will provide water service for District No. 96's park pavilion and restroom facilities, and to irrigate the park improvements, in exchange for use of the park improvements by District residents at no cost. The District will provide up to 5 domestic equivalent single family connections (ESFCs) of water and up to 91 ESFCs of irrigation water at 400 gallons per day per ESFC. Water is billed at the District's domestic (commercial) in-district rate.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 14. WATER SUPPLY CONTRACT (Continued)**

District No. 96 is responsible for the construction of a public water line within the District to extend a District water line to the point of interconnect. District No. 96 is also responsible for construction of a water line within District No. 96 to the point of interconnect. District No. 96 may make no additional connection to the District's water system without the District's consent. District No 96 is responsible for maintenance costs of the public waterline extension within the District until development within the District requires service from the water line within the District and the District assumes maintenance responsibility for this line.

District No. 96 is authorized to construct three water taps and set three two-inch meters (one domestic and two irrigation). The District will own the domestic water meter and District No. 96 will pay the District's costs for maintenance of the meter. District No. 96 will own and pay to maintain the irrigation water meters. On April 22, 2021, the District and District No. 96 entered into the second amendment to the water supply agreement. The term of the agreement is through July 31, 2026, and will automatically renew for additional one-year terms unless terminated as provided in the agreement. The District and the District's residents may continue to use the park improvements at no cost, even if the agreement is terminated.

**NOTE 15. SANITARY SEWER SERVICE CONTRACT**

On February 7, 2012, the District executed a sanitary sewer service agreement with District No. 96. Under the agreement, the District will provide domestic wastewater service for District No. 96's park pavilion and restroom facilities, in exchange for use of the park improvements by District residents at no cost. The District will provide up to 5 domestic equivalent single family connections (ESFCs) of wastewater service at 315 gallons per day per ESFC. Wastewater service is billed at the District's domestic (commercial) in-district rate.

District No. 96 is responsible for the construction of a private temporary sanitary sewer line within District No. 96 and the District to connect the park facility to a point of discharge on an existing District sanitary sewer line. District No 96 is responsible for maintenance of this sanitary sewer line. When development within the District requires it, the District will construct and maintain a public sanitary sewer line within the District to replace the temporary line, which must then be abandoned by District No. 96 at its sole cost.

The term of the agreement was through July 31, 2021, and is automatically renewed annually for additional one-year terms unless terminated as provided in the agreement. The District and the District's residents may continue to use the park improvements at no cost, even if the agreement is terminated.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2023**





**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 2,400,000	\$ 2,571,000	\$ 2,747,764	\$ 176,764
Water Service	1,200,000	1,219,450	1,149,770	(69,680)
Wastewater Service	950,000	1,035,650	1,049,643	13,993
Sales Tax Revenues	90,000	90,000	120,410	30,410
Groundwater Reduction Fees	600,000	600,000	660,025	60,025
Penalty and Interest	65,000	65,000	76,720	11,720
Tap Connection and Inspection Fees	4,000	4,000	158,925	154,925
Investment Revenues	60,000	60,000	349,550	289,550
Miscellaneous Revenues	104,000	104,000	177,310	73,310
<b>TOTAL REVENUES</b>	<u>\$ 5,473,000</u>	<u>\$ 5,749,100</u>	<u>\$ 6,490,117</u>	<u>\$ 741,017</u>
<b>EXPENDITURES</b>				
Service Operations:				
Professional Fees	\$ 186,000	\$ 186,000	\$ 508,347	\$ (322,347)
Contracted Services	939,000	1,052,000	1,025,051	26,949
Purchased Water Service	440,000	440,000	516,955	(76,955)
Utilities	250,000	271,000	239,761	31,239
Repairs and Maintenance	700,000	700,000	618,170	81,830
Other	406,700	406,700	710,400	(303,700)
Capital Outlay	3,000,000	4,950,000	362,892	4,587,108
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,921,700</u>	<u>\$ 8,005,700</u>	<u>\$ 3,981,576</u>	<u>\$ 4,024,124</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (448,700)	\$ (2,256,600)	\$ 2,508,541	\$ 4,765,141
<b>FUND BALANCE - JULY 1, 2022</b>	<u>7,807,967</u>	<u>7,807,967</u>	<u>7,807,967</u>	
<b>FUND BALANCE - JUNE 30, 2023</b>	<u>\$ 7,359,267</u>	<u>\$ 5,551,367</u>	<u>\$ 10,316,508</u>	<u>\$ 4,765,141</u>

The accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**JUNE 30, 2023**



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate schedule effective on April 27, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 21.00	5,000	N	\$ 2.07 \$ 2.58 \$ 3.30	5,001 to 7,000 7,001 to 9,000 9,001 and up
WASTEWATER	\$ 31.06	5,000	N	\$ 0.40	5,001 and up
SURCHARGE:					
Commission					
Regulatory Assessments	0.5% of water and sewer charges				
Groundwater Reduction Fees			N	\$ 2.90	1,000 and up
District employs winter averaging for wastewater usage?					_____ <u>  X  </u> Yes      No

Total monthly charges per 10,000 gallons usage: Water: \$33.60 Wastewater: \$33.06 Surcharge: \$29.33 Total \$95.99

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	2,517	2,475	x 1.0	2,475.0
1"	13	13	x 2.5	32.5
1½"	12	12	x 5.0	60.0
2"	35	32	x 8.0	256.0
3"			x 15.0	
4"	2	2	x 25.0	50.0
6"	4	4	x 50.0	200.0
8"	6	6	x 80.0	480.0
10"			x 115.0	
Total Water Connections	<u>2,589</u>	<u>2,544</u>		<u>3,553.5</u>
Total Wastewater Connections	<u>2,524</u>	<u>2,520</u>	x 1.0	<u>2,520.0</u>

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

Gallons pumped into system:	166,628,000	Water Accountability Ratio: 99.2% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	258,574,000	
Gallons purchased:	93,953,000	From: City of Houston, Texas

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 20,000
Engineering	314,762
Legal	<u>173,585</u>
TOTAL PROFESSIONAL FEES	<u>\$ 508,347</u>
PURCHASED SERVICES FOR RESALE -	
Purchased Water Service	<u>\$ 516,955</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 21,200
Operations and Billing	166,470
Solid Waste Disposal	534,714
Security	<u>302,667</u>
TOTAL CONTRACTED SERVICES	<u>\$ 1,025,051</u>
UTILITIES:	
Electricity	\$ 148,981
Telephone	<u>90,780</u>
TOTAL UTILITIES	<u>\$ 239,761</u>
REPAIRS AND MAINTENANCE	<u>\$ 618,170</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 20,094
Insurance	46,482
Office Supplies and Postage	50,505
Payroll Taxes	1,423
Other	<u>83,523</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 202,027</u>
CAPITAL OUTLAY	<u>\$ 362,892</u>
TAP CONNECTIONS	<u>\$ 75,955</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

OTHER EXPENDITURES:

Chemicals	\$ 123,410
Laboratory Fees	33,995
Permit Fees	13,825
Reconnection Fees	82,909
Inspection Fees	1,503
Regulatory Assessment	12,517
Sludge Hauling	<u>164,259</u>
TOTAL OTHER EXPENDITURES	<u>\$ 432,418</u>
TOTAL EXPENDITURES	<u><u>\$ 3,981,576</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**INVESTMENTS**  
**JUNE 30, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXXXX0002	Varies	Daily	\$ 10,161,956	\$
Texas CLASS	XX-XXXX-0001	Varies	Daily	<u>430,557</u>	<u>                    </u>
TOTAL GENERAL FUND				<u>\$ 10,592,513</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXXXX0001	Varies	Daily	\$ 3,943,287	\$
Texas CLASS	XX-XXXX-0004	Varies	Daily	<u>548,929</u>	<u>                    </u>
TOTAL DEBT SERVICE FUND				<u>\$ 4,492,216</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXXXX0010	Varies	Daily	\$ 61,643	\$
TexPool	XXXXXX0011	Varies	Daily	294,847	<u>                    </u>
TexPool	XXXXXX0012	Varies	Daily	<u>213,065</u>	<u>                    </u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 569,555</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 15,654,284</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2022	\$	51,284		\$ 95,721
Adjustments to Beginning				
Balance		<u>(4,339)</u>	\$ 46,945	<u>(6,327)</u> \$ 89,394
Original 2022 Tax Levy	\$	2,538,501		\$ 3,336,315
Adjustment to 2022 Tax Levy		<u>236,815</u>	<u>2,775,316</u>	<u>311,244</u> <u>3,647,559</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 2,822,261		\$ 3,736,953
TAX COLLECTIONS:				
Prior Years	\$	25,632		\$ 36,254
Current Year		<u>2,722,132</u>	<u>2,747,764</u>	<u>3,577,660</u> <u>3,613,914</u>
TAXES RECEIVABLE -				
JUNE 30, 2023		<u>\$ 74,497</u>		<u>\$ 123,039</u>
TAXES RECEIVABLE BY				
YEAR:				
2022		\$ 53,184		\$ 69,899
2021		7,974		11,164
2020		4,754		7,875
2019		2,932		6,189
2018		1,556		5,877
2017		1,228		7,086
2016 and prior		<u>2,869</u>		<u>14,949</u>
TOTAL		<u>\$ 74,497</u>		<u>\$ 123,039</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2022	2021	2020	2019
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 196,284,341	\$ 164,672,907	\$ 138,923,391	\$ 124,072,724
Improvements	604,777,454	533,512,937	522,943,404	493,521,674
Personal Property	17,973,110	13,790,390	11,767,545	9,993,728
Exemptions	<u>(26,087,378)</u>	<u>(26,028,008)</u>	<u>(27,416,784)</u>	<u>(27,761,462)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 792,947,527</u>	<u>\$ 685,948,226</u>	<u>\$ 646,217,556</u>	<u>\$ 599,826,664</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.46	\$ 0.49	\$ 0.53	\$ 0.57
Maintenance	<u>0.35</u>	<u>0.35</u>	<u>0.32</u>	<u>0.27</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 0.81</u>	<u>\$ 0.84</u>	<u>\$ 0.85</u>	<u>\$ 0.84</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 6,422,875</u>	<u>\$ 5,761,965</u>	<u>\$ 5,492,850</u>	<u>\$ 5,038,643</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>98.08 %</u>	<u>99.67 %</u>	<u>99.77 %</u>	<u>99.82 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.35 per \$100 of assessed valuation approved by voters on April 5, 1986.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

REFUNDING SERIES - 2014 A

Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2024	\$ 320,000	\$ 20,725	\$ 340,725
2025	330,000	10,725	340,725
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 650,000</u>	<u>\$ 31,450</u>	<u>\$ 681,450</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

REFUNDING SERIES - 2015

Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2024	\$ 255,000	\$ 107,800	\$ 362,800
2025	260,000	97,600	357,600
2026	285,000	87,200	372,200
2027	285,000	75,800	360,800
2028	295,000	64,400	359,400
2029	380,000	52,600	432,600
2030	285,000	37,400	322,400
2031	310,000	26,000	336,000
2032	340,000	13,600	353,600
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 2,695,000</u>	<u>\$ 562,400</u>	<u>\$ 3,257,400</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total	
2024	\$ 275,000	\$ 229,306	\$	504,306
2025	290,000	223,806		513,806
2026	305,000	217,644		522,644
2027	320,000	210,018		530,018
2028	340,000	202,019		542,019
2029	360,000	191,819		551,819
2030	380,000	181,019		561,019
2031	405,000	169,619		574,619
2032	425,000	157,469		582,469
2033	450,000	144,719		594,719
2034	475,000	130,656		605,656
2035	500,000	115,812		615,812
2036	525,000	100,188		625,188
2037	555,000	83,126		638,126
2038	590,000	63,700		653,700
2039	600,000	43,050		643,050
2040	630,000	22,050		652,050
2041				
2042				
2043				
	\$ 7,425,000	\$ 2,486,020	\$	9,911,020

See accompanying independent auditor's report.



**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

S E R I E S - 2 0 1 7				
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total	
2024	\$ 350,000	\$ 287,276	\$	637,276
2025	350,000	276,775		626,775
2026	350,000	268,900		618,900
2027	350,000	261,026		611,026
2028	350,000	252,275		602,275
2029	350,000	242,650		592,650
2030	350,000	232,150		582,150
2031	350,000	221,650		571,650
2032	350,000	211,150		561,150
2033	350,000	200,212		550,212
2034	350,000	189,274		539,274
2035	720,000	177,900		897,900
2036	720,000	153,600		873,600
2037	720,000	129,300		849,300
2038	750,000	105,000		855,000
2039	750,000	78,750		828,750
2040	750,000	52,500		802,500
2041	750,000	26,250		776,250
2042				
2043				
	\$ 9,010,000	\$ 3,366,638	\$	12,376,638

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total	
2024	\$ 375,000	\$ 251,719	\$	626,719
2025	375,000	240,469		615,469
2026	375,000	229,219		604,219
2027	375,000	217,969		592,969
2028	375,000	206,718		581,718
2029	375,000	195,468		570,468
2030	375,000	183,750		558,750
2031	375,000	171,562		546,562
2032	375,000	159,376		534,376
2033	375,000	146,718		521,718
2034	375,000	134,062		509,062
2035	375,000	120,938		495,938
2036	375,000	107,812		482,812
2037	375,000	94,688		469,688
2038	375,000	81,562		456,562
2039	375,000	67,968		442,968
2040	375,000	54,376		429,376
2041	375,000	40,782		415,782
2042	375,000	27,188		402,188
2043	375,000	13,594		388,594
	\$ 7,500,000	\$ 2,745,938	\$	10,245,938

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

REFUNDING SERIES - 2019

Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2024	\$ 500,000	\$ 313,200	\$ 813,200
2025	520,000	303,200	823,200
2026	900,000	287,600	1,187,600
2027	935,000	260,600	1,195,600
2028	970,000	232,550	1,202,550
2029	755,000	203,450	958,450
2030	805,000	180,800	985,800
2031	850,000	148,600	998,600
2032	900,000	114,600	1,014,600
2033	955,000	78,600	1,033,600
2034	1,010,000	40,400	1,050,400
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 9,100,000</u>	<u>\$ 2,163,600</u>	<u>\$ 11,263,600</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

REFUNDING SERIES - 2021

Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2024	\$ 105,000	\$ 88,600	\$ 193,600
2025	105,000	85,450	190,450
2026	105,000	82,300	187,300
2027	105,000	80,200	185,200
2028	105,000	78,100	183,100
2029	105,000	76,000	181,000
2030	175,000	73,900	248,900
2031	175,000	70,400	245,400
2032	170,000	66,900	236,900
2033	465,000	63,500	528,500
2034	470,000	54,200	524,200
2035	745,000	44,800	789,800
2036	745,000	29,900	774,900
2037	750,000	15,000	765,000
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 4,325,000</u>	<u>\$ 909,250</u>	<u>\$ 5,234,250</u>

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2023**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 2,180,000	\$ 1,298,626	\$ 3,478,626
2025	2,230,000	1,238,025	3,468,025
2026	2,320,000	1,172,863	3,492,863
2027	2,370,000	1,105,613	3,475,613
2028	2,435,000	1,036,062	3,471,062
2029	2,325,000	961,987	3,286,987
2030	2,370,000	889,019	3,259,019
2031	2,465,000	807,831	3,272,831
2032	2,560,000	723,095	3,283,095
2033	2,595,000	633,749	3,228,749
2034	2,680,000	548,592	3,228,592
2035	2,340,000	459,450	2,799,450
2036	2,365,000	391,500	2,756,500
2037	2,400,000	322,114	2,722,114
2038	1,715,000	250,262	1,965,262
2039	1,725,000	189,768	1,914,768
2040	1,755,000	128,926	1,883,926
2041	1,125,000	67,032	1,192,032
2042	375,000	27,188	402,188
2043	375,000	13,594	388,594
	<u>\$ 40,705,000</u>	<u>\$ 12,265,296</u>	<u>\$ 52,970,296</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2022
Harris County Municipal Utility District No. 49 Unlimited Tax Refunding Bonds - Series 2014A	\$ 2,785,000	\$ 950,000
Harris County Municipal Utility District No. 49 Unlimited Tax Refunding Bonds - Series 2015	5,940,000	3,350,000
Harris County Municipal Utility District No. 49 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2016	9,000,000	7,690,000
Harris County Municipal Utility District No. 49 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2017	11,110,000	9,360,000
Harris County Municipal Utility District No. 49 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2018	9,320,000	7,875,000
Harris County Municipal Utility District No. 49 Unlimited Tax Refunding Bonds - Series 2019	9,440,000	9,185,000
Harris County Municipal Utility District No. 49 Unlimited Tax Refunding Bonds - Series 2021	<u>4,510,000</u>	<u>4,430,000</u>
<b>TOTAL</b>	<u>\$ 52,105,000</u>	<u>\$ 42,840,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 300,000	\$ 29,725	\$ 650,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	655,000	129,088	2,695,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	265,000	234,606	7,425,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	350,000	297,775	9,010,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	375,000	262,969	7,500,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	85,000	315,750	9,100,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>105,000</u>	<u>91,750</u>	<u>4,325,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 2,135,000</u>	<u>\$ 1,361,663</u>	<u>\$ 40,705,000</u>	

See accompanying independent auditor's report.



**THIS PAGE INTENTIONALLY LEFT BLANK**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 58,780,000	\$ 5,000,000
Amount Issued	<u>56,780,000</u>	<u>1,708,773</u>
Remaining to be Issued	<u>\$ 2,000,000</u>	<u>\$ 3,291,227</u>

Debt Service Fund cash and investments balances as of  
June 30, 2023: \$ 4,747,904

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 2,648,515

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

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amounts		
	2023	2022	2021
<b>REVENUES</b>			
Property Taxes	\$ 2,747,764	\$ 2,373,138	\$ 2,030,367
Water Service	1,149,770	1,196,710	1,072,183
Wastewater Service	1,049,643	967,894	957,315
Sales Tax Revenue	120,410	100,917	94,247
Groundwater Reduction Fees	660,025	634,082	569,666
Penalty and Interest	76,720	68,947	39,842
Tap Connection and Inspection Fees	158,925	258,462	35,085
Investment Revenues	349,550	15,923	6,279
Miscellaneous Revenues	177,310	87,800	301,269
<b>TOTAL REVENUES</b>	<b>\$ 6,490,117</b>	<b>\$ 5,703,873</b>	<b>\$ 5,106,253</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 508,347	\$ 166,714	\$ 381,077
Contracted Services	1,025,051	888,920	853,225
Purchased Water Service	516,955	451,573	421,254
Utilities	239,761	205,862	171,690
Repairs and Maintenance	618,170	627,956	788,209
Other	710,400	521,680	403,595
Developer Interest		173,010	72,090
Capital Outlay	362,892	2,866,457	594,400
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,981,576</b>	<b>\$ 5,902,172</b>	<b>\$ 3,685,540</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 2,508,541</b>	<b>\$ (198,299)</b>	<b>\$ 1,420,713</b>
<b>BEGINNING FUND BALANCE</b>	<b>7,807,967</b>	<b>8,006,266</b>	<b>6,585,553</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 10,316,508</b>	<b>\$ 7,807,967</b>	<b>\$ 8,006,266</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2020	2019	2023	2022	2021	2020	2019
\$ 1,610,620	\$ 925,490	42.3 %	41.6 %	39.8 %	33.0 %	23.0 %
1,187,845	1,071,942	17.7	21.0	21.0	24.3	26.9
905,278	851,970	16.2	17.0	18.7	18.5	21.4
84,806	71,154	1.9	1.8	1.8	1.7	1.8
578,434	519,249	10.2	11.1	11.2	11.8	13.0
40,078	50,059	1.2	1.2	0.8	0.8	1.3
301,640	285,350	2.4	4.5	0.7	6.2	7.2
93,143	138,571	5.4	0.3	0.1	1.9	3.5
88,066	76,562	2.7	1.5	5.9	1.8	1.9
<u>\$ 4,889,910</u>	<u>\$ 3,990,347</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 209,604	\$ 137,426	7.8 %	2.9 %	7.5 %	4.3 %	3.4 %
789,254	737,416	15.8	15.6	16.7	16.1	18.5
452,165	417,929	8.0	7.9	8.2	9.2	10.5
156,400	147,505	3.7	3.6	3.4	3.2	3.7
775,643	414,265	9.5	11.0	15.4	15.9	10.4
446,818	414,603	10.9	9.2	7.9	9.1	10.4
92,826			3.0	1.4	1.9	
<u>1,688,868</u>	<u>1,072,960</u>	<u>5.6</u>	<u>50.3</u>	<u>11.6</u>	<u>34.5</u>	<u>26.9</u>
<u>\$ 4,611,578</u>	<u>\$ 3,342,104</u>	<u>61.3 %</u>	<u>103.5 %</u>	<u>72.1 %</u>	<u>94.2 %</u>	<u>83.8 %</u>
\$ 278,332	\$ 648,243	<u>38.7 %</u>	<u>(3.5) %</u>	<u>27.9 %</u>	<u>5.8 %</u>	<u>16.2 %</u>
<u>6,307,221</u>	<u>5,658,978</u>					
<u>\$ 6,585,553</u>	<u>\$ 6,307,221</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
<b>REVENUES</b>			
Property Taxes	\$ 3,613,914	\$ 3,326,240	\$ 3,363,588
Penalty and Interest	45,486	40,405	30,312
Interest on Investments	178,533	9,609	4,578
Miscellaneous Revenues	16,343	4,469	421
<b>TOTAL REVENUES</b>	<b>\$ 3,854,276</b>	<b>\$ 3,380,723</b>	<b>\$ 3,398,899</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 103,595	\$ 90,647	\$ 81,519
Debt Service Principal	2,135,000	2,090,000	2,015,000
Debt Service Interest and Fees	1,367,163	1,427,363	1,504,086
Bond Issuance Costs			262,286
Payment to Refunded Bond Escrow Agent			58,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,605,758</b>	<b>\$ 3,608,010</b>	<b>\$ 3,920,891</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 248,518</b>	<b>\$ (227,287)</b>	<b>\$ (521,992)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$	\$	\$ 4,510,000
Payment to Refunded Bond Escrow Agent			(4,302,702)
Bond Premium			60,370
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 267,668</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 248,518</b>	<b>\$ (227,287)</b>	<b>\$ (254,324)</b>
<b>BEGINNING FUND BALANCE</b>	4,494,213	4,721,500	4,975,824
<b>ENDING FUND BALANCE</b>	<b>\$ 4,742,731</b>	<b>\$ 4,494,213</b>	<b>\$ 4,721,500</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	2,544	2,533	2,536
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	2,520	2,527	2,528

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2020	2019	2023	2022	2021	2020	2019
\$ 3,410,846	\$ 3,515,921	93.8 %	98.4 %	99.0 %	97.2 %	95.9 %
24,176	37,075	1.2	1.2	0.9	0.7	1.0
72,592	113,280	4.6	0.3	0.1	2.1	3.1
1,353	498	0.4	0.1			
<u>\$ 3,508,967</u>	<u>\$ 3,666,774</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 68,894	\$ 80,795	2.7 %	2.7 %	2.4 %	2.0 %	2.2 %
1,980,000	1,835,000	55.4	61.8	59.3	56.4	50.0
1,634,145	1,450,768	35.5	42.2	44.3	46.6	39.6
	335,259			7.7		9.1
	192,000			1.7		5.2
<u>\$ 3,683,039</u>	<u>\$ 3,893,822</u>	<u>93.6 %</u>	<u>106.7 %</u>	<u>115.4 %</u>	<u>105.0 %</u>	<u>106.1 %</u>
<u>\$ (174,072)</u>	<u>\$ (227,048)</u>	<u>6.4 %</u>	<u>(6.7) %</u>	<u>(15.4) %</u>	<u>(5.0) %</u>	<u>(6.1) %</u>
\$	\$ 9,440,000					
	(9,415,271)					
	314,321					
<u>\$ - 0 -</u>	<u>\$ 339,050</u>					
\$ (174,072)	\$ 112,002					
5,149,896	5,037,894					
<u>\$ 4,975,824</u>	<u>\$ 5,149,896</u>					
2,546	2,430					
<u>2,518</u>	<u>2,418</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JUNE 30, 2023**

District Mailing Address - Harris County Municipal Utility District No. 49  
c/o Smith, Murdaugh, Little & Bonham, L.L.P.  
2727 Allen Parkway, Suite 1100  
Houston, TX 77019

District Telephone Number - (713) 652-6500

<b>Board Members:</b>	Term of Office (Elected or <u>Appointed</u> )	Fees of office for the year ended <u>June 30, 2023</u>	Expense reimbursements for the year ended <u>June 30, 2023</u>	<u>Title</u>
Kermit D. Fisher	05/22 05/26 (Elected)	\$ 6,576	\$ 3,641	President
Jude Auzenne	05/22 05/26 (Elected)	\$ 5,076	\$ 1,940	Vice President
Andrias Lowe	05/22 05/26 (Elected)	\$ 5,376	\$ 3,268	Secretary
Alicia Worthy	05/22 05/24 (Appointed)	\$ 3,205	\$ 1,362	Assistant Secretary
August J. Nunez	05/20 05/24 (Elected)	\$ -0-	\$ 3,182	Director

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

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

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 24, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 49**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JUNE 30, 2023**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2023</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	08/21/73	\$ 160,377	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/25/87	\$ 20,000	Auditor
Claudia Redden & Associates, LLC	11/01/95	\$ 29,154	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/26/84	\$ 15,938	Delinquent Tax Attorney
BGE, Inc.	05/25/23	\$ 4,502	Engineer
Benchmark Engineering	11/18/04	\$ 1,317,417	* Former Engineer
Claudia Redden	09/23/99	\$ -0-	Investment Officer
Masterson Advisors LLC	04/26/18	\$ -0-	Financial Advisor
TNG Utility Corporation	04/01/10	\$ 1,053,231	Operator
Bob Leared Interests	10/28/77	\$ 32,230	Tax Assessor/ Collector

\* - Of the Benchmark Engineering fees noted above for the fiscal year ended June 30, 2023, \$855,790 is being held by the District's General Counsel pending the outcome of litigation between the District and Benchmark Engineering.

See accompanying independent auditor's report.



