

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2024**

**THIS PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriters.**

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

**NEW ISSUE-BOOK-ENTRY-ONLY**

Underlying Rating: Moody's "Baa2"  
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 531**  
*(A political subdivision of the State of Texas located within Harris County)*

**\$3,655,000**  
**UNLIMITED TAX BONDS**  
**SERIES 2024**

**\$3,030,000**  
**UNLIMITED TAX PARK BONDS**  
**SERIES 2024A**

**\$1,000,000**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2024**

**Dated Date: November 1, 2024**

**Due: March 1, as shown on the inside cover**

**Interest Accrual Date: Date of Delivery**

The \$3,655,000 Unlimited Tax Bonds, Series 2024 (the "Series 2024 Bonds"), the \$3,030,000 Unlimited Tax Park Bonds, Series 2024A (the "Series 2024A Park Bonds") and the \$1,000,000 Unlimited Tax Road Bonds, Series 2024 (the "Series 2024 Road Bonds") are being issued by Harris County Municipal Utility District No. 531 (the "District"). The Series 2024 Bonds, the Series 2024A Park Bonds and the Series 2024 Road Bonds are collectively referred to herein as the "Bonds." Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from the date of delivery (the "Date of Delivery," expected to be on or about November 13, 2024), and is payable on March 1, 2025. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown on the inside cover.

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM.") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. 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/registrars, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (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. See "BOOK-ENTRY-ONLY SYSTEM."

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**See "MATURITY SCHEDULES" on the inside cover**

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The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."**

The Bonds are offered by the Underwriters subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 13, 2024.

**Bids Due on the Bonds: Tuesday, October 15, 2024, at 9:00 A.M., Houston, Texas Time, in Houston, Texas**  
**Bid Award: Tuesday, October 15, 2024 at 11:00 A.M., Houston, Texas 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.

## MATURITY SCHEDULES

**\$3,655,000**

### SERIES 2024 BONDS

Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (d)	Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (d)
2026	\$ 160,000	%	%		2038	\$ 160,000 (b)	%	%	
2027	160,000				2039	160,000 (b)			
2028	160,000				2040	160,000 (b)			
2029	160,000				2041	160,000 (b)			
2030	160,000				2042	160,000 (b)			
2031	160,000				2043	160,000 (b)			
2032	160,000 (b)				2044	155,000 (b)			
2033	160,000 (b)				2045	155,000 (b)			
2034	160,000 (b)				2046	155,000 (b)			
2035	160,000 (b)				2047	155,000 (b)			
2036	160,000 (b)				2048	155,000 (b)			
2037	160,000 (b)								

**\$3,030,000**

### SERIES 2024A PARK BONDS

Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (d)	Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (d)
2026	\$ 135,000	%	%		2038	\$ 130,000 (b)	%	%	
2027	135,000				2039	130,000 (b)			
2028	135,000				2040	130,000 (b)			
2029	135,000				2041	130,000 (b)			
2030	135,000				2042	130,000 (b)			
2031	135,000				2043	130,000 (b)			
2032	135,000 (b)				2044	130,000 (b)			
2033	135,000 (b)				2045	130,000 (b)			
2034	130,000 (b)				2046	130,000 (b)			
2035	130,000 (b)				2047	130,000 (b)			
2036	130,000 (b)				2048	130,000 (b)			
2037	130,000 (b)								

**\$1,000,000**

### SERIES 2024 ROAD BONDS

Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (d)	Due (March 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (d)
2026	\$ 45,000	%	%		2038	\$ 45,000 (b)	%	%	
2027	45,000				2039	45,000 (b)			
2028	45,000				2040	45,000 (b)			
2029	45,000				2041	45,000 (b)			
2030	45,000				2042	40,000 (b)			
2031	45,000				2043	40,000 (b)			
2032	45,000 (b)				2044	40,000 (b)			
2033	45,000 (b)				2045	40,000 (b)			
2034	45,000 (b)				2046	40,000 (b)			
2035	45,000 (b)				2047	40,000 (b)			
2036	45,000 (b)				2048	40,000 (b)			
2037	45,000 (b)								

- (a) The Underwriters (hereinafter defined) may designate one or more maturities as term bonds. See accompanying “OFFICIAL NOTICES OF SALE” and “OFFICIAL BID FORMS.”
- (b) Bonds maturing on or after March 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on March 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (c) Initial Reoffering Yield represents the initial offering yield to the public, which will be established by the Underwriters for offers to the public and which subsequently may be changed.
- (d) CUSIP Numbers will be 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 Underwriters shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by SEC Rule 15c2-12.

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

This OFFICIAL STATEMENT is not to be used in 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, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof.

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 Underwriters and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

## SALE AND DISTRIBUTION OF THE BONDS

### **Award of the Bonds**

After requesting competitive bids for the Series 2024 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by \_\_\_\_\_ (the "Series 2024 Bond Underwriter"), paying the interest rates shown on the inside 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, Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2024A Park Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by \_\_\_\_\_ (the "Series 2024A Park Bond Underwriter"), paying the interest rates shown on the inside 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, Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2024 Road Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by \_\_\_\_\_ (the "Series 2024 Road Bond Underwriter"), paying the interest rates shown on the inside 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, Texas Government Code, as amended (the IBA method).

The Series 2024 Bond Underwriter, Series 2024A Park Bond Underwriter, and the Series 2024 Road Bond Underwriter shall be referred to herein collectively as the "Underwriters."

### **Prices and Marketability**

Information concerning initial reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriters 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 Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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.

## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

### THE DISTRICT

- Description...* Harris County Municipal Utility District No. 531 (the “District”), is a political subdivision of the State of Texas, was created by Act of the Texas Legislature 83rd Legislative Regular Session (Senate Bill 751), effective June 14, 2013, and operates under Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other statutes of Texas applicable to municipal utility districts. The District annexed approximately 45 acres in March 2023 and currently includes approximately 418 acres. See “THE DISTRICT.”
- Location...* The District is located in Harris County approximately 33 miles northwest of the City of Houston’s central business district. The District is located east of State Highway 99 (the Grand Parkway) and north of U.S. Highway 290. The District lies entirely within the extraterritorial jurisdiction of the City of Houston and is located within the Cypress-Fairbanks Independent School District. See “THE DISTRICT” and “AERIAL LOCATION MAP.”
- The Developer...* AHV Schiel BFR Owner LLC, a Delaware limited liability company (“AHV Schiel BFR” or the “Developer”) is a special purpose entity formed by affiliates of American Housing Ventures, LLC (“AHV”) for the purpose of developing approximately 45 acres in the District as Cypress Heights, a single-family residential rental community. AHV is a privately held, vertically integrated developer, builder and operator with corporate headquarters in San Antonio, Texas specializing in single-family residential and attached rental home communities both throughout Texas and the United States. See “THE DEVELOPER.”
- The Niklas Group advanced funds for development of approximately 21 acres of land in the District for multi-family and commercial development. DMF Schiel, LLC, a Texas limited liability company (“DMF Schiel”) acquired approximately 15 acres from the Niklas Group for development of The Madison at Cypress, an apartment community consisting of 300 units. DMF Schiel is a special purpose entity formed by D’Agostino Multifamily, LLC, a Texas limited liability company, an affiliate of D’Agostino Companies for the purpose of developing The Madison at Cypress apartments. D’Agostino Companies is a privately held real estate development and property management firm headquartered in Houston, Texas. DMF Schiel does not own any undeveloped land within the District. Mueschke 2022 Property LLC acquired the remaining approximately 6 acres from the Niklas Group for development of a gas station, convenience store and retail strip center on approximately 3 of the 6 acres within the District.
- In addition, Lennar Homes of Texas Land and Construction, Ltd. (“Lennar”), a Texas limited partnership dba Friendswood Development Company and whose general partner is U.S. Home Corporation, has developed Falls at Dry Creek consisting of approximately 161 acres in the District, will be receiving bond proceeds for outstanding costs related to recreation facilities. Lennar has completed development in the District and do not own any undeveloped land in the District. See “THE DEVELOPER.”
- Status of Development...* The District has been developed as the single-family residential subdivisions of Falls at Dry Creek and Hidden Arbor. Construction of water distribution, wastewater collection, and storm drainage facilities and paving to serve 503 lots on approximately 270 acres has been completed. As of August 15, 2024, 503 homes were completed (502 homes occupied). The average home value for 2024 in the District is \$627,591.
- Utility and paving construction is underway on approximately 45 acres for the development of Cypress Heights, a privately gated single-family residential rental community consisting of 238 single-family residential lots with completion anticipated by the end of 2024 and homebuilding is expected to commence in the first quarter of 2025. See “INVESTMENT CONSIDERATIONS—Rental Homes.”
- Additionally, The Madison at Cypress, a 300 unit apartment community has been constructed on approximately 15 acres within the District, and a gas station, convenience store and retail strip center have been constructed on approximately 3 acres within the District.

The remainder of the District consists of approximately 3 acres of developable property served by trunkline water distribution, wastewater collection and storm drainage facilities and approximately 82 acres (including 79 acres dedicated to Harris County for parks and recreation) of undevelopable property. See “THE DISTRICT—Land Use” and “—Status of Development.”

*Payment Record...*

The District has previously issued \$21,125,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in four series and \$8,310,000 principal amount of unlimited tax bonds for road facilities in three series, \$24,380,000 of which collectively remain outstanding (the “Outstanding Bonds”) as of the date hereof. The Series 2024 Bonds (hereinafter defined) are the District’s fifth issuance of unlimited tax bonds for water, sewer and drainage facilities, the Series 2024A Park Bonds (hereinafter defined) are the District’s first issuance of unlimited tax bonds for park and recreational facilities, and the Series 2024 Road Bonds (hereinafter defined) are the District’s fourth issuance of unlimited tax bonds for road facilities. The District has never defaulted on its debt obligations. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

**THE BONDS**

*Description...*

The \$3,655,000 Unlimited Tax Bonds, Series 2024 (the “Series 2024 Bonds”), the \$3,030,000 Unlimited Tax Park Bonds, Series 2024A (the “Series 2024A Park Bonds”) and the \$1,000,000 Unlimited Tax Road Bonds, Series 2024 (the “Series 2024 Road Bonds”) are being issued as fully registered bonds pursuant to separate resolutions (the “Bond Resolutions”) authorizing the issuance of each such series of Bonds adopted by the District’s Board of Directors. The Series 2024 Bonds, the Series 2024A Park Bonds and the Series 2024 Road Bonds are collectively referred to herein as the “Bonds.” Each series of Bonds is scheduled to mature serially on March 1 in the years 2026 through 2048, both inclusive. The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on March 1, 2025. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each September 1 and March 1 until maturity or prior redemption. See “THE BONDS.”

*Book-Entry-Only System...*

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

*Redemption...*

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

*Use of Proceeds for the Series 2024 Bonds...*

Proceeds of the Series 2024 Bonds will be used to finance engineering and construction costs associated with water, sewer and drainage facilities as shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024 Bonds.” In addition, proceeds of the Series 2024 Bonds will be used to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Series 2024 Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024 Bonds.”

*Use of Proceeds for the Series 2024A Park Bonds...*

Proceeds of the Series 2024A Park Bonds will be used to pay for engineering, construction, and land costs associated with recreational facilities as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024A Park Bonds.” In addition, proceeds of the Series 2024A Park Bonds will be used to pay interest on funds advanced by Lennar on behalf of the District; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Series 2024A Park Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024A Park Bonds.”

*Use of Proceeds for the Series 2024 Road Bonds...*

Proceeds of the Series 2024 Road Bonds will be used to finance road facilities as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024 Road Bonds.” In addition, proceeds of the Series 2024 Road Bonds will be used to pay interest on funds advanced by the Developer on behalf of the District; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Series 2024 Road Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024 Road Bonds.”

<i>Authority for Issuance...</i>	<p>The Series 2024 Bonds are the fifth series of bonds issued out of an aggregate of \$157,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, sewer and drainage facilities and for refunding such bonds. The Series 2024A Park Bonds are the first series of bonds issued out of an aggregate of \$20,500,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing park and recreational facilities and for refunding such bonds. The Series 2024 Bonds and Series 2024A Park Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the TCEQ approving the issuance of the Series 2024 Bonds and Series 2024A Park Bonds, and separate resolutions authorizing the issuance, sale and delivery of the Series 2024 Bonds and Series 2024A Park Bonds adopted by the Board of Directors of the District (the “Series 2024 Bond Resolution,” and “Series 2024A Park Bond Resolution”).</p> <p>The Series 2024 Road Bonds are the fourth series of bonds issued out of an aggregate of \$51,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing road facilities and for refunding such bonds. The Series 2024 Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the Series 2024 Road Bond Resolution (the “Series 2024 Road Bond Resolution”). See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt,” “—Financing Recreational Facilities,” and “INVESTMENT CONSIDERATIONS—Future Debt,”</p>
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations 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. See “THE BONDS—Source and Security for Payment” and “—Funds.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	<p>Moody’s Investors Service (“Moody’s”) has assigned a credit rating of “Baa2” on the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fee associated with the rating assigned to the District by Moody’s will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Underwriter. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”</p> <p>Application has also been made for municipal bond insurance. If qualified, the purchase of municipal bond insurance with respect to the Bonds is optional and at the expense of each of the Underwriters. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”</p>
<i>Qualified Tax-Exempt Obligations...</i>	The District will designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants,” “LEGAL MATTERS” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

### **INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”



**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2024 Taxable Assessed Valuation.....	\$352,567,387	(a)
Estimated Taxable Assessed Valuation as of July 15, 2024.....	\$358,481,033	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....	\$32,065,000	(c)
Estimated Overlapping Debt .....	<u>17,022,423</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$49,087,423	
Ratios of Gross Direct Debt to:		
2024 Taxable Assessed Valuation .....	9.09%	
Estimated Taxable Assessed Valuation as of July 15, 2024 .....	8.94%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2024 Taxable Assessed Valuation .....	13.92%	
Estimated Taxable Assessed Valuation as of July 15, 2024 .....	13.69%	
Funds Available for Debt Service as of September 9, 2024:		
Water, Sewer & Drainage & Park Debt Service Fund .....	\$639,203	(e)
Road Debt Service Fund .....	<u>258,135</u>	(e)
Total Funds Available for Debt Service.....	\$897,338	(e)
Operating Funds Available as of September 9, 2024 .....	\$3,772,404	
Water, Sewer & Drainage Capital Projects Funds Available as of September 9, 2024.....	\$47,939	
Road Capital Projects Funds Available as of September 9, 2024 .....	\$12,102	
Anticipated 2024 Debt Service Tax Rate .....	\$0.66	
Anticipated 2024 Maintenance and Operations Tax Rate .....	<u>0.34</u>	
Anticipated 2024 Total Tax Rate .....	\$1.00	(f)
Average Annual Debt Service Requirement (2025-2048).....	\$1,836,980	(g)
Maximum Annual Debt Service Requirement (2026).....	\$2,422,146	(g)
Tax Rate Required to Pay Average Annual Debt Service (2025-2048) at a 95% Collection Rate		
Based upon 2024 Taxable Assessed Valuation.....	\$0.55	(h)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2024.....	\$0.54	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2026) at a 95% Collection Rate		
Based upon 2024 Taxable Assessed Valuation.....	\$0.73	(h)
Based upon Estimated Taxable Assessed Valuation as of July 15, 2024.....	\$0.72	(h)
Status of Development as of August 15, 2024 (i):		
Total Developed Lots.....	503	
Completed homes (502 homes occupied) .....	503	
Single-family residential under construction .....	238	
Estimated population .....	1,757	(j)

- (a) The 2024 Taxable Assessed Valuation shown herein includes \$338,611,600 of certified value and \$13,955,787 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on July 15, 2024, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2024 and July 15, 2024 will be certified as of January 1, 2025. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Funds in the Water, Sewer and Drainage & Park Debt Service Fund are available to pay debt service on the bonds issued for water, sewer and drainage facilities and park and recreational facilities (including the Series 2024 Bonds and 2024A Park Bonds) and are not available to pay debt service on bonds issued for road facilities (including the Series 2024 Road Bonds). Funds in the Road Debt Service Fund are available to pay debt service on bonds issued for road facilities (including the Series 2024 Road Bonds) and are not available to pay debt service on the District's bonds issued for water, sewer and drainage facilities and park and recreational facilities (including the Series 2024 Bonds and 2024A Park Bonds). See "THE BONDS—Funds."
- (f) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation, and expects to adopt such rate in October 2024 with \$0.66 per \$100 of taxable assessed valuation allocated to debt service and \$0.34 per \$100 of taxable assessed valuation allocated to maintenance and operations. See "TAX DATA—Historical Tax Rate Distribution."
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."
- (i) See "THE DISTRICT—Land Use" and "—Status of Development."
- (j) Based upon 3.5 persons per occupied single-family residence.

**PRELIMINARY OFFICIAL STATEMENT**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 531**  
*(A political subdivision of the State of Texas located within Harris County)*

<b>\$3,655,000</b>	<b>\$3,030,000</b>	<b>\$1,000,000</b>
<b>UNLIMITED TAX BONDS</b>	<b>UNLIMITED TAX PARK BONDS</b>	<b>UNLIMITED TAX ROAD BONDS</b>
<b>SERIES 2024</b>	<b>SERIES 2024A</b>	<b>SERIES 2024</b>

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 531 (the “District”) of its \$3,655,000 Unlimited Tax Bonds, Series 2024 (the “Series 2024 Bonds”), the \$3,030,000 Unlimited Tax Park Bonds, Series 2024A (the “Series 2024A Park Bonds”) and the \$1,000,000 Unlimited Tax Road Bonds, Series 2024 (the “Series 2024 Road Bonds”). The Series 2024 Bonds, Series 2024A Park Bonds and the Series 2024 Road Bonds are collectively referred to herein as the “Bonds.”

The Series 2024 Bonds and Series 2024A Park Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the Texas Commission on Environmental Quality (“TCEQ”) approving the issuance of the Series 2024 Bonds and Series 2024A Park Bonds, and separate resolutions authorizing the issuance, sale and delivery of the Series 2024 Bonds and Series 2024A Park Bonds adopted by the Board of Directors of the District (the “Series 2024 Bond Resolution,” and “Series 2024A Park Bond Resolution”).

The Series 2024 Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, and an order authorizing the issuance, sale and delivery of the Series 2024 Road Bonds adopted by the Board of Directors of the District (the “Series 2024 Road Bond Resolution”). The Series 2024 Bond Resolution, Series 2024A Park Bond Resolution and the Series 2024 Road Bond Resolution are collectively referred to herein as the “Bond Resolutions.”

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, development in the District, AHV Schiel BFR Owner, LLC, a Delaware limited liability company (“AHV Schiel BFR” or the “Developer”) and DMF Schiel, LLC, a Texas limited liability company (“DMF Schiel”). 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 upon payment of the costs of duplication therefore.

**THE BONDS**

**Description**

The Bonds will be dated November 1, 2024, and will accrue interest from the Date of Delivery with interest payable each March 1 and September 1, beginning March 1, 2025 (each an “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

**Method of Payment of Principal and Interest**

In the Bond Resolutions, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner (the “Registered Owner”) of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolutions.

## **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, an annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolutions, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

## **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 Resolution 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 that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

## **Funds**

The Series 2024 Bond Resolution and Series 2024A Park Bond Resolution confirm the District's debt service fund for payment of debt service on the Series 2024 Bonds, Series 2024A Park Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Park System (herein defined), or for the purpose of refunding such bonds (the "Utility and Park Debt Service Fund"). The Utility and Park Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Utility System and the Park System, including the Series 2024 Bonds, Series 2024A Park Bonds, and any additional bonds issued by the District for the Utility System and the Park System, and is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Utility and Park Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Utility System and the Park System, including the Series 2024 Bonds, Series 2024A Park Bonds, and any additional bonds issued by the District for the Utility System and Park System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Utility System and the Park System, including the Series 2024 Bonds, Series 2024A Park Bonds and any additional bonds issued by the District for the Utility System and the Park System will also be deposited into the Utility and Park Debt Service Fund. Funds in the Utility and Park Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Utility System and the Park System, including the Series 2024 Bonds, Series 2024A Park Bonds, and any additional bonds issued by the District for the Utility System and the Park System and are not available to pay debt service on the bonds issued by the District for the Road System (herein defined), including the Series 2024 Road Bonds, or any additional bonds issued by the District for the Road System.

The Road Bond Resolution confirms the District's debt service fund for payment of debt service on the Series 2024 Road Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road Debt Service Fund"). The Road Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Series 2024 Road Bonds, and any additional bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Road Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including the Series 2024 Road Bonds, and any additional bonds issued by the District for the Road System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including the Series 2024 Road Bonds, and any additional bonds issued by the District for the Road System will also be deposited into the Road Debt Service Fund. Funds in the Road Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, including the Series 2024 Road Bonds, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the Utility System and the Park System, including the Series 2024 Bonds, Series 2024A Park Bonds, or any additional bonds issued by the District for the Utility System and the Park System.

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2032, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on March 1, 2031, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the particular series and maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain series and maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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 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**

At an election held within the District on November 5, 2013, voters of the District authorized a total of \$157,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and for refunding such bonds, \$20,500,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing park and recreational facilities and for refunding such bonds, and \$51,000,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing road facilities and for refunding such bonds. The Series 2024 Bonds constitute the fifth issuance of bonds from the authorization for acquiring or constructing water, sewer and drainage facilities, the Series 2024A Park Bonds constitute the first issuance of bonds from the authorization for acquiring or constructing park and recreational facilities, and the Series 2024 Road Bonds constitute the fourth issuance of bonds from the authorization for acquiring or constructing road facilities. After issuance of the Bonds, a total of \$132,220,000 in principal amount of unlimited tax bonds will remain authorized but unissued from the authorization for acquiring or constructing water, sewer and drainage facilities and for refunding such bonds, a total of \$17,470,000 in principal amount of unlimited tax bonds will remain authorized but unissued from the authorization for acquiring or constructing park and recreational facilities and for refunding such bonds, and a total of \$41,690,000 in principal amount of unlimited tax bonds will remain authorized but unissued from the authorization for acquiring or constructing road facilities and for refunding such bonds. See "Issuance of Additional Debt" herein.

The Series 2024 Bonds and Series 2024A Park Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the TCEQ approving the issuance of the Series 2024 Bonds and Series 2024A Park Bonds, and the Series 2024 Bond Resolution and Series 2024A Park Bond Resolution. The Series 2024 Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, and the Series 2024 Road Bond Resolution.

## **Registration and Transfer**

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 terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond 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 therefor, 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 Resolution 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 a Record Date and ending 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.

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

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

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

Provision is made in the Bond Resolutions for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of \$157,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and for refunding such bonds, a total of \$20,500,000 in principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities and for refunding such bonds, and a total of \$51,000,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing road facilities and for refunding such bonds. After issuance of the Bonds, \$132,220,000 in principal amount of unlimited tax bonds for water, sewer and drainage facilities and for refunding such bonds will remain authorized but unissued, \$17,470,000 in principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities and for refunding such bonds will remain authorized but unissued, and \$41,690,000 in principal amount of unlimited tax bonds for road facilities and for refunding such bonds will remain authorized but unissued. The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

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) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. Under existing State law, the outstanding principal amount of park 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 greater than three percent (3%) of the value of the taxable property in the District. The Board has approved a park plan and, at an election held on November 5, 2013, voters of the District authorized the issuance of \$20,500,000 in unlimited tax bonds for the purpose of purchasing or constructing parks and recreational facilities. After issuance of the Series 2024A Park Bonds, \$17,470,000 principal amount will remain authorized but unissued.

### **Annexation by the City of Houston**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City of Houston cannot annex territory within the District unless it annexes the entire District. The City of Houston 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 of Houston and the District specifying the procedures for full purpose annexation of all or a portion of the District.

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

### **Consolidation**

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

### **Remedies in Event of Default**

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 Resolutions, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, 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 Resolutions. Except for mandamus, the Bond Resolutions do 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 Resolutions 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."

## **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 might 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.

### **Defeasance**

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

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

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

## BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning the Depository Trust Company, New York, NY (“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 is on file with DTC.

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

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



Principal, premium, if any, interest payments and redemption proceeds 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.

## USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Series 2024 and Series 2024A Park Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by LJA Engineering, Inc. (the “Engineer”) and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required. 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.

### Series 2024 Bonds

#### CONSTRUCTION RELATED COSTS

• Water Smart Meters .....	\$	352,500
• Lift Station Generator Additions .....		213,469
• Hidden Arbor Drainage Swale Improvements .....		215,000
• Water Plant No. 1 Recoating .....		325,000
• Wastewater Treatment Plant No. 2 .....		1,400,000
• Engineering, Geotechnical, CPS and Materials .....		387,624
• Contingency .....		430,694
		430,694

**Total Construction Costs .....** **\$ 3,324,287**

#### NON-CONSTRUCTION COSTS

• Underwriter’s Discount (a) .....	\$	109,650
		109,650

**Total Non-Construction Costs .....** **\$ 109,650**

#### ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees .....	\$	208,270
• State Regulatory Fees .....		12,793
		12,793

**Total Issuance Costs and Fees .....** **\$ 221,063**

**TOTAL BOND ISSUE .....** **\$ 3,655,000**

(a) The TCEQ approved a maximum Underwriter’s Discount of 3.00%.

### Series 2024A Park Bonds

#### CONSTRUCTION COSTS

• Detention Pond for Falls at Dry Creek.....	\$	144,962
• Engineering, Geotechnical and Stormwater Planning.....		30,119
• Land Acquisition for Park Land.....		2,478,310
<b>Total Construction Costs.....</b>	<b>\$</b>	<b>2,653,391</b>

#### NON-CONSTRUCTION COSTS

• Underwriter’s Discount (a) .....	\$	90,900
• Developer Interest (Estimated).....		44,805
<b>Total Non-Construction Costs.....</b>	<b>\$</b>	<b>135,705</b>

#### ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees .....	\$	182,799
• Bond Application Report Costs.....		47,500
• State Regulatory Fees .....		10,605
<b>Total Issuance Costs and Fees.....</b>	<b>\$</b>	<b>240,904</b>

**TOTAL BOND ISSUE.....** **\$ 3,030,000**

(a) The TCEQ approved a maximum Underwriter’s Discount of 3.00%.

### Series 2024 Road Bonds

#### CONSTRUCTION COSTS

• Taccoa Drive.....	\$	665,688
• Engineering, Geotechnical, CPS and Materials Testing.....		109,638
• Less Surplus Funds .....		(12,102)
<b>Total Construction Costs.....</b>	<b>\$</b>	<b>763,224</b>

#### NON-CONSTRUCTION COSTS

• Underwriter’s Discount.....	\$	30,000
• Developer Interest (Estimated).....		85,851
<b>Total Non-Construction Costs.....</b>	<b>\$</b>	<b>115,851</b>

#### ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees .....	\$	100,425
• Engineering Fees.....		19,500
• State Regulatory Fees .....		1,000
<b>Total Issuance Costs and Fees.....</b>	<b>\$</b>	<b>120,925</b>

**TOTAL BOND ISSUE.....** **\$ 1,000,000**

## THE DISTRICT

### General

The District is a political subdivision of the State of Texas, was created by Act of the Texas Legislature 83rd Legislative Regular Session (Senate Bill 751), effective May 22, 2013 and the District operates under Article XVI, Section 59, of the Texas Constitution in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other statutes of Texas applicable to municipal utility districts.

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; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and roads. See “THE BONDS—Issuance of Additional Debt.”

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, road and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain public facilities to be designed in accordance with applicable City of Houston standards. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

### Description and Location

The District is located in Harris County approximately 33 miles northwest of the City of Houston central business district. The District is located east of State Highway 99 (the Grand Parkway) and north of US Highway 290. The District lies entirely within the extraterritorial jurisdiction of the City of Houston and is located within the Cypress-Fairbanks Independent School District. The District annexed approximately 45 acres in March 2023 and currently includes approximately 418 acres. See “AERIAL LOCATION MAP.”

### Land Use

The District currently includes approximately 270 developed acres of single-family residential development (503 lots), 45 acres under construction for the development of single-family residential rental community (238 lots), a 300 unit apartment community on approximately 15 acres, a gas station, convenience store and retail strip center on approximately 3 acres, approximately 3 developable acres served by trunkline water distribution, wastewater collection and storm drainage facilities and approximately 82 acres of undevelopable land (including approximately 79 acres dedicated to Harris County for parks and recreation). The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	Approximate <u>Acres</u>	<u>Lots/Units</u>
Falls at Dry Creek		
Section One .....	96	178
Section Two .....	48	133
Section Three .....	17	36
Hidden Arbor		
Section One .....	96	129
Expansion .....	<u>13</u>	<u>27</u>
Subtotal	270	503
 <u>Single-Family Residential</u>		
Cypress Heights (a) .....	<u>45</u>	<u>238</u>
Subtotal	315	741
Multi-Family .....	15	300
Commercial .....	3	---
Future Development .....	3	---
Undevelopable (b) .....	<u>82</u>	---
Totals	418	1,041

(a) Utility and paving construction is underway with anticipated completion by the end of 2024. See “INVESTMENT CONSIDERATIONS—Rental Homes.”

(b) An approximately 79-acre tract has been dedicated to Harris County for parks and recreation and the remainder is utilized for streets and a water plant.

## **Status of Development**

*Single Family Residential:* As of August 15, 2024, 503 homes were completed (502 occupied) and no new homes were under construction or in the name of a builder. The average home value for 2024 in the District is \$627,591.

Utility and paving construction is underway on approximately 45 acres for the development of Cypress Heights, a privately gated single-family residential rental community consisting of 238 single-family residential lots with completion anticipated by the end of 2024 and homebuilding is expected to commence in the first quarter of 2025. See “INVESTMENT CONSIDERATIONS—Rental Homes.”

*Multi-Family and Commercial:* Additionally, The Madison at Cypress, a 300 unit apartment community has been constructed on approximately 15 acres within the District, and a gas station, convenience store and retail strip center have been constructed on approximately 3 acres within the District.

The estimated population in the District, based upon 3.5 persons per occupied single-family residence, is 1,757.

## **THE DEVELOPER**

### **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. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, 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 Developer 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. See “INVESTMENT CONSIDERATIONS.”

The Developer nor any affiliates of the Developer have any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time.

### **The Developer**

AHV Schiel BFR Owner LLC, a Delaware limited liability company (“AHV Schiel BFR” or the “Developer”) is a special purpose entity formed by affiliates of American Housing Ventures, LLC (“AHV”) for the purpose of developing approximately 45 acres in the District as Cypress Heights, a single-family residential rental community. AHV is a privately held, vertically integrated developer, builder and operator with corporate headquarters in San Antonio, Texas specializing in single-family residential and attached rental home communities both throughout Texas and the United States.

The Niklas Group advanced funds for development of approximately 21 acres of land in the District for multi-family and commercial development. DMF Schiel, LLC, a Texas limited liability company (“DMF Schiel”) acquired approximately 15 acres from the Niklas Group for development of The Madison at Cypress, an apartment community consisting of 300 units. DMF Schiel is a special purpose entity formed by D’Agostino Multifamily, LLC, a Texas limited liability company, an affiliate of D’Agostino Companies for the purpose of developing The Madison at Cypress apartments. D’Agostino Companies is a privately held real estate development and property management firm headquartered in Houston, Texas. DMF Schiel does not own any undeveloped land within the District. Mueschke 2022 Property LLC acquired the remaining approximately 6 acres from the Niklas Group for development of a gas station, convenience store and retail strip center on approximately 3 of the 6 acres within the District.

In addition, Lennar Homes of Texas Land and Construction, Ltd. (“Lennar”), a Texas limited partnership dba Friendswood Development Company and whose general partner is U.S. Home Corporation, developed Falls at Dry Creek consisting of approximately 161 acres in the District, will be receiving bond proceeds for outstanding costs related to recreation facilities. Lennar has completed development in the District and do not own any undeveloped land in the District.

## MANAGEMENT OF THE DISTRICT

### **Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. Four of the Board members reside within the District. One of the Board members owns land within the District, subject to a Deed of Trust in favor of Lennar. 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>
Paul White	President	May 2028
Joyce A. Tate	Vice President	May 2028
Brad Wojcik	Secretary	May 2026
Glenn Gallia	Assistant Vice President	May 2026
Wayne Wallace	Assistant Secretary	May 2028

### **District Consultants**

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

*Bond Counsel/Attorney:* The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

*Financial Advisor:* Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered 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.

*Disclosure Counsel:* McCall, Parkhurst & Horton L.L.P., serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

*Engineer:* The District's consulting engineer is LJA Engineering, Inc.

*Auditor:* The District's financial statements for the year ended February 29, 2024, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended February 29, 2024.

*Bookkeeper:* The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services .

*Utility System Operator:* The operator of the District's water and wastewater system is Environmental Development Partners, LLC (the "Operator").

*Tax Appraisal:* The Harris Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

*Tax Assessor/Collector:* The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

## THE SYSTEM

### Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the Harris-Galveston Subsidence District where applicable (see "Water Supply" and "Subsidence and Conversion to Surface Water Supply" below). Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System.

### Water Supply

The District owns and operates a water plant that includes a 1,000 gallon per minute ("gpm") water well, a 600 gpm water well, two 15,000 gallon pressure tanks, two 250,000 gallon ground storage tanks and 3,200 gpm of booster pump capacity

The District's water plant can currently serve 1,500 equivalent single-family connections. As of August 15, 2024, the District was serving 636 equivalent single-family connections.

### Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the North Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

## **Wastewater Treatment**

The District owns and operates a 240,000 gallon per day (“gpd”) wastewater treatment plant. The plant has capacity to serve approximately 979 equivalent single-family connections (“ESFC”), based on a reduced flow rate of 245 gpd/ESFC. Design is underway for a 100,000 gpd wastewater treatment plant that will have the capacity to serve 333 ESFC based upon a flow rate of 300 gpd/ESFC. Construction is expected to commence in the first quarter of 2025 with an estimated completion by the end of 2025. A portion of the proceeds from the Series 2024 Bonds will be expended to finance the wastewater treatment plant. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024 Bonds.” As of August 15, 2024, the District was serving 636 ESFC.

## **Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Water distribution, wastewater collection, storm drainage and paving facilities have been constructed to serve 503 single-family residential lots, a 300-unit apartment community and approximately 3 acres developed as a gas station, convenience store and retail strip center. In addition, 238 single-family residential rental lots are under construction with an estimated completion by the end of 2024. See “THE DISTRICT—Land Use—Status of 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, portions of the land within the District are within the 100-year mapped flood plain. None of the existing lots are within the 100-year mapped flood plain. See “INVESTMENT CONSIDERATIONS—Severe Weather.”

## **Atlas 14**

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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.



## Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for fiscal years ending February 28, 2021 through February 28, 2024, and an unaudited summary for the six month period ended August 31, 2024, provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to such statements, including "APPENDIX A," for further and complete information.

	3/1/2024	Fiscal Year Ended February 28			
	to 8/31/2024 (Unaudited)	2024	2023	2022	2021
<b>Revenues</b>					
Property Taxes	\$ 134,982	\$ 1,378,607	\$ 1,304,742	\$ 1,112,446	\$ 834,399
Water and Sewer Service	283,505	573,568	493,622	402,922	400,678
Penalty and Interest	5,028	18,752	17,563	7,750	6,382
Regional Water Authority Fee	168,058	500,671	614,248	413,438	408,236
Tap Connection & Inspection	1,050	1,875	185,806	23,145	104,874
Miscellaneous	-	979	5,115	4,210	7,101
Investment Revenues	114,466	174,564	56,957	1,516	7,407
<b>Total Revenues</b>	<b>\$ 707,088</b>	<b>\$ 2,649,016</b>	<b>\$ 2,678,053</b>	<b>\$ 1,965,427</b>	<b>\$ 1,769,077</b>
<b>Expenditures</b>					
Professional Fees	\$ 233,132	\$ 254,198	\$ 243,169	\$ 204,643	\$ 167,952
Repairs and Maintenance	270,970	465,033	376,879	295,450	300,623
Utilities	63,668	129,401	109,612	111,064	81,351
Regional Water Authority Fees	188,150	488,286	610,429	401,702	400,105
Contracted Services	191,616	228,101	240,404	218,772	225,019
Administration	53,760	53,532	42,406	37,231	35,067
Other Expenses	1,573	4,978	1,418	17,367	2,983
Capital Outlay	357,170	133,775	669,105	-	-
<b>Total Expenditures</b>	<b>\$ 1,360,039</b>	<b>\$ 1,757,304</b>	<b>\$ 2,293,422</b>	<b>\$ 1,286,229</b>	<b>\$ 1,213,100</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (652,951)</b>	<b>\$ 891,712</b>	<b>\$ 384,631</b>	<b>\$ 679,198</b>	<b>\$ 555,977</b>
<b>Other Financing Sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,733 (a)</b>
<b>Fund Balance (Beginning of Year)</b>	<b>\$ 4,482,121</b>	<b>\$ 3,590,409</b>	<b>\$ 3,205,778</b>	<b>\$ 2,526,580</b>	<b>\$ 1,906,870</b>
<b>Fund Balance (End of Year)</b>	<b>\$ 3,829,170</b>	<b>\$ 4,482,121</b>	<b>\$ 3,590,409</b>	<b>\$ 3,205,778</b>	<b>\$ 2,526,580</b>

(a) Represents \$9,093 of bond application fees reimbursed from the Capital Projects Fund and \$54,640 of insurance proceeds.

## **ROADS**

The Series 2024 Road Bonds are being issued to finance the road system (the "Roads") which serves the residents of the District by providing access to the major thoroughfares within the Falls at Dry Creek and Hidden Arbor and the surrounding area. The roads to be financed by the Series 2024 Road Bonds include all or portions of Taccoa Drive. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2024 Road Bonds." Upon completion, the Roads have been or will be accepted by Harris County for operation and maintenance in accordance with the procedures of Harris County. The District will not operate or maintain the Roads.

**FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

2024 Taxable Assessed Valuation.....	\$352,567,387	(a)
Estimated Taxable Assessed Valuation as of July 15, 2024.....	\$358,481,033	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....	\$32,065,000	(c)
Estimated Overlapping Debt .....	<u>17,022,423</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$49,087,423	
Ratios of Gross Direct Debt to:		
2024 Taxable Assessed Valuation .....	9.09%	
Estimated Taxable Assessed Valuation as of July 15, 2024 .....	8.94%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2024 Taxable Assessed Valuation .....	13.92%	
Estimated Taxable Assessed Valuation as of July 15, 2024 .....	13.69%	
Funds Available for Debt Service as of September 9, 2024:		
Water, Sewer & Drainage & Park Debt Service Fund .....	\$639,203	(e)
Road Debt Service Fund .....	<u>258,135</u>	(e)
Total Funds Available for Debt Service.....	\$897,338	(e)
Operating Funds Available as of September 9, 2024 .....	\$3,772,404	
Water, Sewer & Drainage Capital Projects Funds Available as of September 9, 2024.....	\$47,939	
Road Capital Projects Funds Available as of September 9, 2024 .....	\$12,102	

- (a) The 2024 Taxable Assessed Valuation shown herein includes \$338,611,600 of certified value and \$13,955,787 of uncertified value. The uncertified value represents the landowners’ opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See “TAXING PROCEDURES.”
- (b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on July 15, 2024, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2024 and July 15, 2024 will be certified as of January 1, 2025. See “TAXING PROCEDURES.”
- (c) After the issuance of the Bonds. See “—Outstanding Bonds” herein.
- (d) See “—Estimated Overlapping Debt” herein.
- (e) Funds in the Water, Sewer and Drainage & Park Debt Service Fund are available to pay debt service on the bonds issued for water, sewer and drainage facilities and park and recreational facilities (including the Series 2024 Bonds and 2024A Park Bonds) and are not available to pay debt service on bonds issued for road facilities (including the Series 2024 Road Bonds). Funds in the Road Debt Service Fund are available to pay debt service on bonds issued for road facilities (including the Series 2024 Road Bonds) and are not available to pay debt service on the District’s bonds issued for water, sewer and drainage facilities and park and recreational facilities (including the Series 2024 Bonds and 2024A Park Bonds). See “THE BONDS—Funds.”

**Investments of the District**

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, 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, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

**Outstanding Bonds**

The District has previously issued \$21,125,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in four series, and \$8,310,000 principal amount of unlimited tax bonds for road facilities in three series, \$24,380,000 of which remain outstanding (the “Outstanding Bonds”) as of the date hereof.

Series	Original Principal Amount	Outstanding Bonds
2016	\$ 8,000,000	\$ 6,385,000
2017 (a)	4,120,000	3,130,000
2018 (a)	2,690,000	2,140,000
2019	3,800,000	3,025,000
2019 (a)	1,500,000	1,200,000
2020	2,555,000	2,225,000
2021	<u>6,770,000</u>	<u>6,275,000</u>
Total	\$ 29,435,000	\$ 24,380,000

(a) Unlimited Tax Road Bonds.

## Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an estimated interest rate per annum of 4.50%. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	The Series 2024 Bonds		The Series 2024A Park Bonds		The Series 2024 Road Bonds		Debt Service Requirements
		Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 1,763,883.75	\$ -	\$ 137,062.50	\$ -	\$ 113,625.00	\$ -	\$ 37,500.00	\$ 2,052,071.25
2026	1,743,971.25	160,000	160,875.00	135,000	133,312.50	45,000	43,987.50	2,422,146.25
2027	1,732,533.75	160,000	153,675.00	135,000	127,237.50	45,000	41,962.50	2,395,408.75
2028	1,722,877.50	160,000	146,475.00	135,000	121,162.50	45,000	39,937.50	2,370,452.50
2029	1,713,152.50	160,000	139,275.00	135,000	115,087.50	45,000	37,912.50	2,345,427.50
2030	1,692,565.00	160,000	132,075.00	135,000	109,012.50	45,000	35,887.50	2,309,540.00
2031	1,685,933.75	160,000	124,875.00	135,000	102,937.50	45,000	33,862.50	2,287,608.75
2032	1,677,901.25	160,000	117,675.00	135,000	96,862.50	45,000	31,837.50	2,264,276.25
2033	1,663,837.50	160,000	110,475.00	135,000	90,787.50	45,000	29,812.50	2,234,912.50
2034	1,658,431.25	160,000	103,275.00	130,000	84,825.00	45,000	27,787.50	2,209,318.75
2035	1,642,200.00	160,000	96,075.00	130,000	78,975.00	45,000	25,762.50	2,178,012.50
2036	1,634,537.50	160,000	88,875.00	130,000	73,125.00	45,000	23,737.50	2,155,275.00
2037	1,630,034.38	160,000	81,675.00	130,000	67,275.00	45,000	21,712.50	2,135,696.88
2038	1,614,209.38	160,000	74,475.00	130,000	61,425.00	45,000	19,687.50	2,104,796.88
2039	1,607,450.00	160,000	67,275.00	130,000	55,575.00	45,000	17,662.50	2,082,962.50
2040	1,594,250.00	160,000	60,075.00	130,000	49,725.00	45,000	15,637.50	2,054,687.50
2041	1,584,856.25	160,000	52,875.00	130,000	43,875.00	45,000	13,612.50	2,030,218.75
2042	1,029,262.50	160,000	45,675.00	130,000	38,025.00	40,000	11,700.00	1,454,662.50
2043	1,011,571.88	160,000	38,475.00	130,000	32,175.00	40,000	9,900.00	1,422,121.88
2044	838,593.75	155,000	31,387.50	130,000	26,325.00	40,000	8,100.00	1,229,406.25
2045	516,659.38	155,000	24,412.50	130,000	20,475.00	40,000	6,300.00	892,846.88
2046	414,868.75	155,000	17,437.50	130,000	14,625.00	40,000	4,500.00	776,431.25
2047	-	155,000	10,462.50	130,000	8,775.00	40,000	2,700.00	346,937.50
2048	-	155,000	3,487.50	130,000	2,925.00	40,000	900.00	332,312.50
<b>Total</b>	<b>\$ 32,173,581.25</b>	<b>\$ 3,655,000</b>	<b>\$ 2,018,400.00</b>	<b>\$ 3,030,000</b>	<b>\$ 1,668,150.00</b>	<b>\$ 1,000,000</b>	<b>\$ 542,400.00</b>	<b>\$ 44,087,531.25</b>

Average Annual Debt Service Requirements (2025-2048) ..... \$1,836,980  
Maximum Annual Debt Service Requirement (2026) ..... \$2,422,146

**Estimated Overlapping Debt**

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County (a).....	\$ 2,577,839,039	8/31/2024	0.050%	\$ 1,288,920
Harris County Flood Control District.....	991,095,000	8/31/2024	0.050%	495,548
Harris County Hospital District.....	65,285,000	8/31/2024	0.050%	32,643
Harris County Department of Education.....	28,960,000	8/31/2024	0.050%	14,480
Port of Houston Authority.....	426,134,397	8/31/2024	0.050%	213,067
Cypress Fairbanks Independent School District.....	3,376,585,000	8/31/2024	0.430%	14,519,316
Lone Star College System.....	509,390,000	8/31/2024	0.090%	458,451
Total Estimated Overlapping Debt.....				\$ 17,022,423
The District.....	32,065,000	(b)	100.00%	32,065,000
Total Direct and Estimated Overlapping Debt.....				\$ 49,087,423

**Direct and Estimated Overlapping Debt as a Percentage of:**

2024 Taxable Assessed Valuation of \$352,567,387 .....	13.92%
Estimated Taxable Assessed Valuation as of July 15, 2024 of \$358,481,033 .....	13.69%

- (a) Excludes the Harris County Toll Road Unlimited Tax Bonds in the principal amount of \$130,635,000. Historically, Harris County has provided for payment of such debt service from toll road revenues and certain other funds and, no ad valorem tax revenue has been required to pay debt service on such bonds.
- (b) Includes the Bonds and the Outstanding Bonds.

**Overlapping Taxes**

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 imposed on such 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” above), 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 taxes levied for the 2023 tax year by all overlapping taxing jurisdictions and the anticipated 2024 tax rate of the District. None of the overlapping entities have levied a 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 of entities other than political subdivisions.

	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).....	\$ 0.535090
Cypress Fairbanks Independent School District.....	1.081100
Lone Star College System.....	0.107600
Total Overlapping Tax Rate.....	\$ 1.723790
The District (a).....	1.000000
Total Tax Rate.....	\$ 2.723790

- (a) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation, and expects to adopt such rate in October 2024 with \$0.66 per \$100 of taxable assessed valuation allocated to debt service and \$0.34 per \$100 of taxable assessed valuation allocated to maintenance and operations.

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Resolutions to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See “Historical Tax Rate Distribution” below.

### 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, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 5, 2013, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” and “Historical Tax Rate Distribution” herein. At an election held within the District on November 5, 2013, voters authorized the Board to levy a maintenance tax for operation and maintenance costs of road facilities at a rate not to exceed \$0.25 per \$100 of taxable assessed valuation.

### Exemptions

For tax year 2024, the District granted a \$10,000 exemption for persons disabled or 65 years of age or older.

### Historical Tax Rate Distribution

	Anticipated 2024 (a)	2023	2022	2021	2020
Debt Service	\$ 0.660	\$ 0.600	\$ 0.675	\$ 0.820	\$ 0.870
Maintenance and Operations	0.340	0.470	0.505	0.480	0.480
Total	\$ 1.000	\$ 1.070	\$ 1.180	\$ 1.300	\$ 1.350

- (a) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation, and expects to adopt such rate in October 2024 with \$0.66 per \$100 of taxable assessed valuation allocated to debt service and \$0.34 per \$100 of taxable assessed valuation allocated to maintenance and operations.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from a report prepared by the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of August 31, 2024 (c)	
				Amount	Percent
2020	\$ 174,142,096	\$ 1.35	\$ 2,350,918	\$ 2,349,322	99.93%
2021	221,058,938	1.30	2,873,766	2,871,625	99.93%
2022	259,312,883	1.18	3,059,892	3,058,414	99.95%
2023	295,459,789	1.07	3,161,420	3,144,094	99.45%
2024	352,567,387	1.00	3,525,674	(d)	(d)

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date of this OFFICIAL STATEMENT.
- (c) Unaudited.
- (d) The District authorized publication of its intent to levy a total tax rate of \$1.00 per \$100 of taxable assessed valuation, and expects to adopt such rate in October 2024 with \$0.66 per \$100 of taxable assessed valuation allocated to debt service and \$0.34 per \$100 of taxable assessed valuation allocated to maintenance and operations. Taxes for 2024 are due by January 31, 2025.

**Tax Roll Information**

The District’s taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2020 through 2024 Taxable Assessed Valuation. Breakdowns of the uncertified portion (\$13,955,787) of the 2024 Taxable Assessed Valuation of \$352,567,387, which is subject to property owner protest and Appraisal District review and downward revision prior to certification, and Estimated Taxable Assessed Valuation as of July 15, 2024, of \$358,481,033, are not available.

Tax Year	Type of Property			Gross Assessed Valuation	Defrements and Exemptions	Uncertified Value	Taxable Assessed Valuation
	Land	Improvements	Personal Property				
2020	\$ 41,454,687	\$ 143,001,019	\$ 1,200,387	\$ 185,656,093	\$ (11,513,997)	-	\$ 174,142,096
2021	48,496,243	183,749,318	1,268,061	233,513,622	(12,454,684)	-	221,058,938
2022	49,909,762	247,089,784	1,479,350	298,478,896	(39,166,013)	-	259,312,883
2023	69,101,759	287,356,906	3,214,968	359,673,633	(64,213,844)	-	295,459,789
2024	66,401,308	308,419,744	3,887,049	378,708,101	(40,096,501)	13,955,787	352,567,387

**Principal Taxpayers**

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed value as a percentage of the certified portion (\$338,611,600) of the 2024 Taxable Assessed Valuation. This represents ownership as of January 1, 2024. An accurate principal taxpayer lists related to the uncertified portion (\$13,955,787) of the 2024 Taxable Assessed Valuation of \$352,567,387, which is subject to property owner protest and Appraisal District review and downward revision prior to certification, and the Estimated Taxable Assessed Valuation as of July 15, 2024, of \$358,481,033 are not available.

Taxpayer	2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation
DMF Schiel LLC	\$ 44,651,654	13.19%
Mueschke 2022 Property LLC	4,285,246	1.27%
Trendmaker Homes Inc	1,460,669	0.43%
Individual	1,002,811	0.30%
Individual	940,000	0.28%
Individual	929,263	0.27%
Individual	921,079	0.27%
Individual	906,712	0.27%
Individual	899,746	0.27%
Individual	898,739	0.27%
Total	\$ 56,895,919	16.80%

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurred beyond the 2024 Taxable Assessed Valuation of \$352,567,387 (\$338,611,600 of certified value plus \$13,955,787 of uncertified value) and Estimated Taxable Assessed Valuation as of July 15, 2024 of \$358,481,033. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2025-2048) .....	\$1,836,980
\$0.55 Tax Rate on the 2024 Taxable Assessed Valuation .....	\$1,842,165
\$0.54 Tax Rate on Estimated Taxable Assessed Valuation as of July 15, 2024 .....	\$1,839,008
Maximum Annual Debt Service Requirement (2026).....	\$2,422,146
\$0.73 Tax Rate on the 2024 Taxable Assessed Valuation .....	\$2,445,055
\$0.72 Tax Rate on Estimated Taxable Assessed Valuation as of July 15, 2024 .....	\$2,452,010

No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation, which is subject to owner protest and Appraisal District review and downward revision prior to certification, or that the Estimated Taxable Assessed Valuation as of July 15, 2024 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their 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 Resolutions to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source 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—Debt Service Tax” and “—Maintenance and Operations Tax.”

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

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

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

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; 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. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. For tax year 2024, the District granted a \$10,000 homestead exemption for individuals disabled and/or 65 years of age or older. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption

of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces 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 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. See "TAX DATA."

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District does not currently grant a 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 in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 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 may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 agreement. 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. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.



Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions 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 Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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% physically 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 Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property 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. 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, which 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 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 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 continue to accrue during the period of deferral.

### **Tax Payment Installments After Disaster**

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

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

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

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

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

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

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

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

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described 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 amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural use property and six (6) months for all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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—General" and "—Tax Collection Limitations and Foreclosure Remedies."

## **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—Source 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 taxable property within the District will 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.

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value from single-family residences and developed lots. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential tracts and the construction of residential dwellings on vacant lots can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs, energy availability, energy prices and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of the Developer or property owners to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 33 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of the District's taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or a decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of or reduce the District's property tax base.

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

There are no commitments from or obligations of the Developer, 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 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 tracts of land or developed lots 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 property. See "THE DEVELOPER."

### **Possible 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 owners of property within the District to pay their taxes. The 2024 Taxable Assessed Valuation is \$352,567,387 (\$338,611,600 certified plus \$13,955,787 uncertified), which is subject to review and downward adjustment prior to certification. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,422,146 (2026), and the average annual debt service requirement will be \$1,836,980 (2025-2048 inclusive). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation (\$338,611,600 certified plus \$13,955,787 uncertified), the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.73 and \$0.55 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

The Estimated Taxable Assessed Valuation as of July 15, 2024 is \$358,481,033, which reduces the above tax calculations to \$0.72 and \$0.54 per \$100 of taxable assessed valuation, respectively. No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 15, 2024 will be the amounts finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

### **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 or homebuilding 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.

### **Severe Weather**

The greater Houston area, including the District, 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 26, 2017 and brought historic levels of rainfall during the successive four days.

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

### **Rental Homes**

AHV Schiel BFR is developing Cypress Heights as a rental home community. As a result it is expected that title to completed lots and homes will remain in AHV Schiel BFR or another entity rather than being sold to homebuilders or individual homeowners. This is expected to result in a longer-term concentration of assessed valuation in a single property owner than would ordinarily be experienced in a development where lots and homes are developed and transferred to homebuilders or individual homeowners. The ability of AHV Schiel BFR or the ultimate owner of the rental homes to lease the rental properties may affect their ability to maintain the properties and the taxable assessed valuation of the properties. Additionally, the failure of AHV Schiel BFR or the ultimate owner of the rental homes to make full and timely payments of taxes levied against the rental home property by the District and similar taxing authorities could have a material adverse effect on the District's ability to pay debt service on the Bonds.

## **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.

## **Tax Collections Limitations and Foreclosure Remedies**

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

## **Registered Owners' Remedies 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 Resolutions, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, 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 Resolutions. Except for mandamus, the Bond Resolutions do 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 Resolutions 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 931-946. 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 (1) is 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 TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ 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.

### **Future Debt**

The District's voters have authorized the issuance of a total of \$157,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and for refunding such bonds, a total of \$20,500,000 in principal amount of unlimited tax bonds for the purposes of acquiring or constructing park and recreational facilities and for refunding such bonds, and a total of \$51,000,000 in principal amount of unlimited tax bonds for acquiring or constructing road facilities and for refunding such bonds. After issuance of the Series 2024 Bonds, \$132,220,000 in principal amount of unlimited tax bonds for water, sewer and drainage facilities and for refunding such bonds will remain authorized but unissued. After issuance of the Series 2024A Park Bonds, \$17,470,000 in principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities and for refunding such bonds will remain authorized but unissued. After issuance of the Series 2024 Road Bonds, \$41,690,000 in principal amount of unlimited tax bonds for acquiring or constructing road facilities and for refunding such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, 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 greater than three percent (3%) of the value of the taxable property in the District.

To date, the Developer has advanced certain funds for construction of facilities for which they have not been reimbursed. After reimbursements are made with Bond proceeds, the District will continue to owe AHV Schiel BFR approximately \$6,102,540 plus interest for funds advanced to construct water, sewer, and drainage facilities, park and recreational facilities and roads in the District. The District intends to issue additional bonds in order to reimburse AHV Schiel BFR for the current amount outstanding and to develop the remainder of undeveloped but developable land (approximately 3 acres). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. However, the outstanding principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's certified value, unless effective June 14, 2021, 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. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and recreational facilities, but not road facilities, must be approved by the TCEQ.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

## **Environmental Regulations**

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

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

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

*Air Quality Issues:* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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 will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

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

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

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

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

The 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” under the CWA to conform with the Supreme Court’s decision.

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

### **Marketability of the Bonds**

The District has no understanding with the Underwriter 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 more generally bought, sold or traded in the secondary market.

### **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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

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



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

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

Neither the District nor the Underwriters have 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 or policies, which includes further instructions for obtaining current financial information concerning the Insurer.

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District or the Developer 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 information contained herein.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

### **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the OFFICIAL STATEMENT.

## **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The District has covenanted in the Bond Resolutions that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolutions or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

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

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the PRELIMINARY OFFICIAL STATEMENT).

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this PRELIMINARY OFFICIAL STATEMENT, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

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

### **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2024.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense. The District will not designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

## MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "Baa2" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of each of the Underwriters and at each of the Underwriters' expense. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, 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.

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from 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 below 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 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 employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a 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.

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by LJA Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The District's financial statements for the year ended February 29, 2024, were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's February 29, 2024, financial statements.

*Bookkeeper:* The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

## **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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time 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 in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolutions, the District has 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"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

## **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," (except for "Estimated Overlapping Debt"), "TAX DATA," and in APPENDIX A (Auditor's Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2025. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 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.

## **Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its

terms, if material; (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 a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions 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. The MSRB makes the information available to the public without charge through an internet portal 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 and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

#### **Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

### **MISCELLANEOUS**

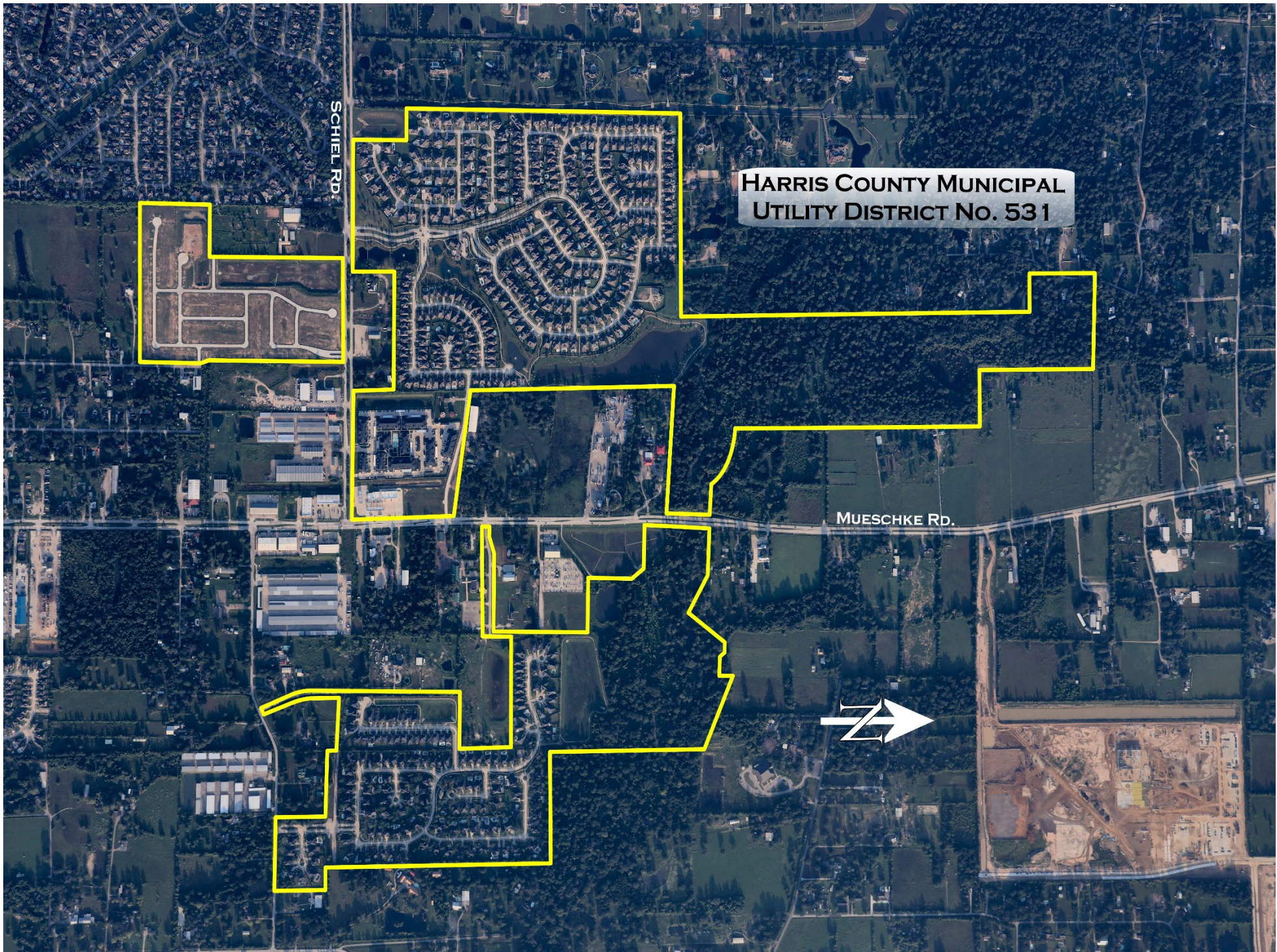
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not 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.

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

ATTEST:

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

**AERIAL LOCATION MAP**  
**(Approximate boundaries as of August 2024)**



**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT No. 531**

SCHIEL RD.

MUESCHKE RD.





**PHOTOGRAPHS OF THE DISTRICT**  
**(Taken August 2024)**













**APPENDIX A**

**Financial Statement of the District for the period ended February 29, 2024**



**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 531**

**HARRIS COUNTY, TEXAS**

**FINANCIAL REPORT**

**February 29, 2024**



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# McGRATH & CO., PLLC

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 531  
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. 531 (the "District"), as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 531, as of February 29, 2024, and the respective changes in financial position thereof 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

*Board of Directors  
Harris County Municipal Utility District No. 531  
Harris County, Texas*

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.

**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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are 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 information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas  
June 10, 2024

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## **Management's Discussion and Analysis**

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***Harris County Municipal Utility District No. 531  
Management's Discussion and Analysis  
February 29, 2024***

**Using this Annual Report**

Within this section of the financial report of Harris County Municipal Utility District No. 531 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 29, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

**Overview of the Financial Statements**

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

**Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 531  
Management’s Discussion and Analysis  
February 29, 2024***

The *Statement of Activities* reports how the District’s net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District’s use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

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

The District’s net position at February 29, 2024, was negative \$8,599,979. This amount is negative because the District incurs debt to construct certain road facilities which it conveys to Harris County. Additionally, the District has incurred debt for the acquisition of certain tracts of land which were donated to Harris County for public park and recreational facilities. A comparative summary of the District’s overall financial position, as of February 29, 2024 and February 28, 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 7,098,906	\$ 6,690,911
Capital assets	19,991,838	19,882,558
Total assets	<u>27,090,744</u>	<u>26,573,469</u>
Current liabilities	1,375,355	1,442,131
Long-term liabilities	34,315,368	34,608,880
Total liabilities	<u>35,690,723</u>	<u>36,051,011</u>
Net position		
Net investment in capital assets	(3,991,329)	(4,313,217)
Restricted	2,169,128	2,131,873
Unrestricted	(6,777,778)	(7,296,198)
Total net position	<u>\$ (8,599,979)</u>	<u>\$ (9,477,542)</u>

***Harris County Municipal Utility District No. 531  
Management's Discussion and Analysis  
February 29, 2024***

The total net position of the District increased during the current fiscal year by \$877,563. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Water and sewer service	\$ 573,568	\$ 493,622
Property taxes, penalties and interest	3,207,519	3,059,607
Other	<u>765,477</u>	<u>920,298</u>
Total revenues	<u>4,546,564</u>	<u>4,473,527</u>
Expenses		
Current service operations	1,677,906	1,668,141
Debt interest and fees	788,052	825,601
Depreciation	<u>470,786</u>	<u>447,701</u>
Total expenses	<u>2,936,744</u>	<u>2,941,443</u>
Change in net position before other item	1,609,820	1,532,084
Other item		
Transfers to other governments	(732,257)	
Change in estimate of due to developer		<u>(2,553,801)</u>
Change in net position	877,563	(1,021,717)
Net position, beginning of year	<u>(9,477,542)</u>	<u>(8,455,825)</u>
Net position, end of year	<u>\$ (8,599,979)</u>	<u>\$ (9,477,542)</u>

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

The District's combined fund balances, as of February 29, 2024, were \$6,613,272, which consists of \$4,482,121 in the General Fund, \$2,081,390 in the Debt Service Fund and \$49,761 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of February 29, 2024 and February 28, 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 4,849,559</u>	<u>\$ 3,856,905</u>
Total liabilities	\$ 309,897	\$ 222,270
Total deferred inflows	57,541	44,226
Total fund balance	<u>4,482,121</u>	<u>3,590,409</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,849,559</u>	<u>\$ 3,856,905</u>

***Harris County Municipal Utility District No. 531  
Management’s Discussion and Analysis  
February 29, 2024***

A comparative summary of the General Fund’s activities for the current and prior fiscal year is as follows:

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 2,649,016	\$ 2,678,053
Total expenditures	<u>(1,757,304)</u>	<u>(2,293,422)</u>
Revenues over expenditures	<u>\$ 891,712</u>	<u>\$ 384,631</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.

*Debt Service Fund*

A comparative summary of the Debt Service Fund’s financial position as of February 29, 2024 and February 28, 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 2,199,586</u>	<u>\$ 2,134,263</u>
Total liabilities	\$ 30,458	\$ 2,390
Total deferred inflows	87,738	72,394
Total fund balance	<u>2,081,390</u>	<u>2,059,479</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,199,586</u>	<u>\$ 2,134,263</u>

A comparative summary of the Debt Service Fund’s activities for the current and prior fiscal year is as follows:

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 1,859,925	\$ 1,802,187
Total expenditures	<u>(1,838,014)</u>	<u>(1,859,723)</u>
Revenues over/(under) expenditures	<u>\$ 21,911</u>	<u>\$ (57,536)</u>

The District’s financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District

***Harris County Municipal Utility District No. 531  
Management’s Discussion and Analysis  
February 29, 2024***

sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund’s financial position as of February 29, 2024 and February 28, 2023, is as follows:

	2024	2023
Total assets	\$ 49,761	\$ 699,743
Total liabilities	\$ -	\$ 202,471
Total fund balance	49,761	497,272
Total liabilities and fund balance	\$ 49,761	\$ 699,743

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 8,964	\$ 25,734
Total expenditures	(456,475)	(1,086,676)
Revenues under expenditures	\$ (447,511)	\$ (1,060,942)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of unlimited tax bonds in previous fiscal years.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$6,199 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

***Harris County Municipal Utility District No. 531  
Management's Discussion and Analysis  
February 29, 2024***

Capital assets held by the District at February 29, 2024 and February 28, 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	\$ 3,005,377	\$ 3,002,377
Construction in progress	<u>687,279</u>	<u>1,149,017</u>
	<u>3,692,656</u>	<u>4,151,394</u>
Capital assets being depreciated		
Infrastructure	18,177,224	17,138,420
Other facilities	<u>1,669,504</u>	<u>1,669,504</u>
	<u>19,846,728</u>	<u>18,807,924</u>
Less accumulated depreciation		
Infrastructure	(2,988,524)	(2,584,517)
Other facilities	<u>(559,022)</u>	<u>(492,243)</u>
	<u>(3,547,546)</u>	<u>(3,076,760)</u>
Depreciable capital assets, net	<u>16,299,182</u>	<u>15,731,164</u>
Capital assets, net	<u>\$ 19,991,838</u>	<u>\$ 19,882,558</u>

Capital asset additions during the current year include the Water plant no.1, phase 2 and land easements. The District's construction in progress is for the construction of the Wastewater treatment plant, phase 2.

Harris County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended February 29, 2024, capital assets in the amount of \$732,257 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

**Long-Term Debt and Related Liabilities**

As of February 29, 2024, the District owes approximately \$10,291,520 to developers for completed projects, operating advances, and land acquisitions. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$7,600,232 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.



***Harris County Municipal Utility District No. 531  
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At February 29, 2024 and February 28, 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2016	\$ 6,630,000	\$ 6,865,000
2017 Road	3,295,000	3,460,000
2018 Road	2,250,000	2,360,000
2019	3,180,000	3,335,000
2019 Road	1,260,000	1,320,000
2020	2,335,000	2,445,000
2021	6,275,000	6,455,000
	\$ 25,225,000	\$ 26,240,000

At February 29, 2024, the District had \$135,875,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$20,500,000 for parks and recreational facilities and the refunding of such bonds; and \$42,690,000 for road improvements and the refunding of such bonds.

**Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2024 Actual	2025 Budget
Total revenues	\$ 2,649,016	\$ 2,586,360
Total expenditures	(1,757,304)	(1,614,487)
Revenues over expenditures	891,712	971,873
Beginning fund balance	3,590,409	4,482,121
Ending fund balance	\$ 4,482,121	\$ 5,453,994

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## **Basic Financial Statements**

**Harris County Municipal Utility District No. 531**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**February 29, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 87,320	\$ 346,521	\$ 12,993	\$ 446,834	\$ -	\$ 446,834
Investments	4,501,754	1,863,671	45,868	6,411,293		6,411,293
Taxes receivable	57,541	87,738		145,279		145,279
Customer service receivables	79,471			79,471		79,471
Internal balances	107,444	(98,344)	(9,100)			
Other receivables	5,902			5,902		5,902
Prepaid items	10,127			10,127		10,127
Capital assets not being depreciated					3,692,656	3,692,656
Capital assets, net					16,299,182	16,299,182
<b>Total Assets</b>	<b>\$ 4,849,559</b>	<b>\$ 2,199,586</b>	<b>\$ 49,761</b>	<b>\$ 7,098,906</b>	<b>19,991,838</b>	<b>27,090,744</b>
<b>Liabilities</b>						
Accounts payable	\$ 121,303	\$ -	\$ -	\$ 121,303		121,303
Retainage payable	32,754			32,754		32,754
Other payables	16,608	30,458		47,066		47,066
Customer deposits	139,232			139,232		139,232
Due to developers					10,291,520	10,291,520
Long-term debt						
Due within one year					1,035,000	1,035,000
Due after one year					24,023,848	24,023,848
<b>Total Liabilities</b>	<b>309,897</b>	<b>30,458</b>		<b>340,355</b>	<b>35,350,368</b>	<b>35,690,723</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	57,541	87,738		145,279	(145,279)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	10,127			10,127	(10,127)	
Restricted		2,081,390	49,761	2,131,151	(2,131,151)	
Unassigned	4,471,994			4,471,994	(4,471,994)	
<b>Total Fund Balances</b>	<b>4,482,121</b>	<b>2,081,390</b>	<b>49,761</b>	<b>6,613,272</b>	<b>(6,613,272)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,849,559</b>	<b>\$ 2,199,586</b>	<b>\$ 49,761</b>	<b>\$ 7,098,906</b>		
<b>Net Position</b>						
Net investment in capital assets					(3,991,329)	(3,991,329)
Restricted for debt service					2,169,128	2,169,128
Unrestricted					(6,777,778)	(6,777,778)
<b>Total Net Position</b>					<b>\$ (8,599,979)</b>	<b>\$ (8,599,979)</b>

See notes to basic financial statements.

**Harris County Municipal Utility District No. 531**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended February 29, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 344,336	\$ -	\$ -	\$ 344,336	\$ -	\$ 344,336
Sewer service	229,232			229,232		229,232
Property taxes	1,378,607	1,761,574		3,140,181	27,904	3,168,085
Penalties and interest	18,752	19,927		38,679	755	39,434
Regional Water Authority fees	500,671			500,671		500,671
Tap connection and inspection	1,875			1,875		1,875
Miscellaneous	979			979		979
Investment earnings	174,564	78,424	8,964	261,952		261,952
<b>Total Revenues</b>	<u>2,649,016</u>	<u>1,859,925</u>	<u>8,964</u>	<u>4,517,905</u>	<u>28,659</u>	<u>4,546,564</u>
<b>Expenditures</b>						
Current service operations						
Professional fees	254,198		9,578	263,776		263,776
Contracted services	228,101	31,703		259,804		259,804
Repairs and maintenance	465,033			465,033		465,033
Utilities	129,401			129,401		129,401
Regional Water Authority fees	488,286			488,286		488,286
Administrative	53,532	9,990		63,522		63,522
Other	4,978	2,500	606	8,084		8,084
Capital outlay	133,775		446,291	580,066	(580,066)	
Debt service						
Principal		1,015,000		1,015,000	(1,015,000)	
Interest and fees		778,821		778,821	9,231	788,052
Depreciation					470,786	470,786
<b>Total Expenditures/Expenses</b>	<u>1,757,304</u>	<u>1,838,014</u>	<u>456,475</u>	<u>4,051,793</u>	<u>(1,115,049)</u>	<u>2,936,744</u>
<b>Revenues Over/(Under) Expenditures/Expenses</b>	891,712	21,911	(447,511)	466,112	1,143,708	1,609,820
<b>Other Item</b>						
Transfer to other governments					(732,257)	(732,257)
<b>Net Change in Fund Balances Change in Net Position</b>	891,712	21,911	(447,511)	466,112	(466,112)	877,563
Fund Balance/Net Position						
Beginning of the year	3,590,409	2,059,479	497,272	6,147,160	(15,624,702)	(9,477,542)
<b>End of the year</b>	<u>\$ 4,482,121</u>	<u>\$ 2,081,390</u>	<u>\$ 49,761</u>	<u>\$ 6,613,272</u>	<u>\$ (15,213,251)</u>	<u>\$ (8,599,979)</u>

See notes to basic financial statements.

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***Harris County Municipal Utility District No. 531***  
***Notes to Financial Statements***  
***February 29, 2024***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Harris County Municipal Utility District No. 531 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to Senate Bill No. 751, Acts 2013, 83rd Legislature, Regular Session, later codified as an amendment to Chapter 8452, Texas Special District Local Laws Code, dated April 19, 2013, and operates in accordance with Section 52, Article III and Section 59, Article XVI, Texas Constitution and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 31, 2013, and the first bonds were issued on October 13, 2016.

The District’s primary activities include construction, maintenance and operation of certain water, sewer, drainage, parks, and road facilities. The District transfers the road facilities to Harris County for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage, parks and road facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.



**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

**Prepaid Items**

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 29, 2024, an allowance for uncollectible accounts was not considered necessary.

**Unbilled Service Revenues**

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	40-45 years
Other	25 years

The District’s detention facilities and drainage channels are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives of capital assets; the value of amounts due to developers; the value of capital assets transferred to Harris County and the value of capital assets for which the developers has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

*Harris County Municipal Utility District No. 531*  
*Notes to Financial Statements*  
*February 29, 2024*

**Note 2 – Adjustment from Governmental to Government-wide Basis**

**Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position***

Total fund balances, governmental funds	\$ 6,613,272
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 23,539,384
Less accumulated depreciation	<u>(3,547,546)</u>
Change due to capital assets	19,991,838
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	
	(10,291,520)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists bonds payable, net.	
	(25,058,848)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	
	145,279
Total net position - governmental activities	<u><u>\$ (8,599,979)</u></u>

*Harris County Municipal Utility District No. 531*  
*Notes to Financial Statements*  
*February 29, 2024*

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

**Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities***

Net change in fund balances - total governmental funds \$ 466,112

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 28,659

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 580,066	
Depreciation expense	(470,786)	
		109,280

The issuance of long-term debt provides current financial resources to governmental funds. However, the transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	1,015,000	
Interest expense	(9,231)	
		1,005,769

The District conveys certain infrastructure to Harris County upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (732,257)

Change in net position of governmental activities		\$ 877,563

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of February 29, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 4,501,754		
	Debt Service	1,863,671		
	Capital Projects	45,868		
Total		<u>\$ 6,411,293</u>	AAAm	37 days

**Note 3 – Deposits and Investments (continued)**

**TexSTAR**

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

**Investment Credit and Interest Rate Risk**

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at February 29, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 98,344	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	9,100	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

**Harris County Municipal Utility District No. 531**  
**Notes to Financial Statements**  
**February 29, 2024**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended February 29, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 3,002,377	\$ 3,000	\$ 3,005,377
Construction in progress	1,149,017	(461,738)	687,279
	<u>4,151,394</u>	<u>(458,738)</u>	<u>3,692,656</u>
Capital assets being depreciated			
Infrastructure	17,138,420	1,038,804	18,177,224
Other facilities	1,669,504		1,669,504
	<u>18,807,924</u>	<u>1,038,804</u>	<u>19,846,728</u>
Less accumulated depreciation			
Infrastructure	(2,584,517)	(404,007)	(2,988,524)
Other facilities	(492,243)	(66,779)	(559,022)
	<u>(3,076,760)</u>	<u>(470,786)</u>	<u>(3,547,546)</u>
Subtotal depreciable capital assets, net	<u>15,731,164</u>	<u>568,018</u>	<u>16,299,182</u>
Capital assets, net	<u>\$ 19,882,558</u>	<u>\$ 109,280</u>	<u>\$ 19,991,838</u>

Depreciation expense for the current fiscal year was \$470,786.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Wastewater treatment plant, phase 2	\$ 876,014	\$ 622,331	\$ 253,683

**Note 6 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.



***Harris County Municipal Utility District No. 531***  
***Notes to Financial Statements***  
***February 29, 2024***

**Note 6 – Due to Developers (continued)**

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 9,559,263
Developer funded construction	732,257
Due to developers, end of year	<u>\$ 10,291,520</u>

In addition, the District will owe the developers approximately \$7,600,232, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Completed
Schiel Road tract - detention and mass grading	\$ 1,576,462	74%
Schiel Road tract - utilities	2,341,335	90%
Schiel Road tract - paving and appurtenances	2,212,560	0%
Wastewater treatment plant no. 2 on-site lift station	1,469,875	0%
	<u>\$ 7,600,232</u>	

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 25,225,000
Unamortized discounts	(166,152)
	<u>\$ 25,058,848</u>
Due within one year	<u>\$ 1,035,000</u>

*Harris County Municipal Utility District No. 531*  
*Notes to Financial Statements*  
*February 29, 2024*

**Note 7 – Long-Term Debt (continued)**

The District’s bonds payable at February 29, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	\$ 6,630,000	\$ 8,000,000	2.00% - 3.50%	September 1, 2017/2041	September 1, March 1	September 1, 2022
2017 Road	3,295,000	4,120,000	2.00% - 4.00%	September 1, 2019/2043	September 1, March 1	September 1, 2023
2018 Road	2,250,000	2,690,000	3.00% - 5.50%	September 1, 2020/2044	September 1, March 1	September 1, 2024
2019	3,180,000	3,800,000	2.00% - 4.50%	September 1, 2021/2044	September 1, March 1	September 1, 2024
2019 Road	1,260,000	1,500,000	2.00% - 4.50%	September 1, 2021/2044	September 1, March 1	September 1, 2025
2020	2,335,000	2,555,000	1.625% - 4.0%	September 1, 2022/2045	September 1, March 1	September 1, 2025
2021	6,275,000	6,770,000	2.00% - 4.50%	March 1, 2022/2046	September 1, March 1	March 1, 2027
	<u>\$ 25,225,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At February 29, 2024, the District had \$135,875,000 unlimited tax bonds authorized but unissued for the purpose of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$20,500,000 for park and recreational facilities and the refunding of such bonds; and \$42,690,000 for road improvements and the refunding of such bonds.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 26,240,000
Bonds retired	(1,015,000)
Bonds payable, end of year	<u>\$ 25,225,000</u>

*Harris County Municipal Utility District No. 531*  
*Notes to Financial Statements*  
*February 29, 2024*

**Note 7 – Long-Term Debt (continued)**

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 29, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 1,035,000	\$ 734,365	\$ 1,769,365
2026	1,055,000	696,484	1,751,484
2027	1,075,000	663,364	1,738,364
2028	1,090,000	631,450	1,721,450
2029	1,115,000	603,066	1,718,066
2030	1,130,000	572,884	1,702,884
2031	1,145,000	541,800	1,686,800
2032	1,170,000	509,468	1,679,468
2033	1,195,000	475,919	1,670,919
2034	1,215,000	441,185	1,656,185
2035	1,240,000	405,341	1,645,341
2036	1,265,000	368,506	1,633,506
2037	1,300,000	329,865	1,629,865
2038	1,330,000	289,673	1,619,673
2039	1,355,000	248,481	1,603,481
2040	1,390,000	205,906	1,595,906
2041	1,425,000	162,244	1,587,244
2042	1,455,000	117,119	1,572,119
2043	950,000	80,507	1,030,507
2044	960,000	52,672	1,012,672
2045	815,000	27,716	842,716
2046	515,000	10,854	525,854
	<u>\$ 25,225,000</u>	<u>\$ 8,168,869</u>	<u>\$ 33,393,869</u>

**Note 8 – Property Taxes**

On November 5, 2013, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District’s Board of Directors to levy additional maintenance taxes annually for use in financing roads limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

**Harris County Municipal Utility District No. 531**  
**Notes to Financial Statements**  
**February 29, 2024**

**Note 8 – Property Taxes (continued)**

All property values and exempt status, if any, are determined by the Harris Central 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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.07 per \$100 of assessed value, of which \$0.47 was allocated to maintenance and operations, \$0.195 was allocated to road debt service, and \$0.405 was allocated to debt service. The resulting tax levy was \$3,170,387 on the adjusted taxable value of \$296,297,883.

Property taxes receivable, at February 29, 2024, consisted of the following:

Current year taxes receivable	\$ 117,859
Prior years taxes receivable	14,584
	132,443
Penalty and interest receivable	12,836
Property taxes receivable	\$ 145,279

**Note 9 – Transfers to Other Governments**

Harris County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Harris County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended February 29, 2024, the District recorded transfers to other governments in the amount of \$732,257 for road facilities constructed by a developer within the District.

**Note 10 – Regional Water Authority**

The District is within the boundaries of the North Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

As of February 29, 2024, the Authority’s rates are \$3.60 per 1,000 gallons of water pumped from the District’s wells and \$4.05 for surface water supplied to the District. These rates are subject to future increases. The District passes these costs on to its customers. During the current year, the District recognized \$500,671 in revenues and \$488,286 in expenditures related to surface water conversion.

*Harris County Municipal Utility District No. 531*  
*Notes to Financial Statements*  
*February 29, 2024*

**Note 11 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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## **Required Supplementary Information**

***Harris County Municipal Utility District No. 531  
Required Supplementary Information - Budgetary Comparison Schedule - General  
For the Year Ended February 29, 2024***

	Original and Final Budget	Actual	Positive (Negative)
<b>Revenues</b>			
Water service	\$ 300,000	\$ 344,336	\$ 44,336
Sewer service	160,000	229,232	69,232
Property taxes	1,300,000	1,378,607	78,607
Penalties and interest	8,000	18,752	10,752
Regional water authority fees	570,000	500,671	(69,329)
Tap connection and inspection	70,000	1,875	(68,125)
Miscellaneous	10,000	979	(9,021)
Investment earnings	10,000	174,564	164,564
Total Revenues	<u>2,428,000</u>	<u>2,649,016</u>	<u>221,016</u>
<b>Expenditures</b>			
Current service operations			
Professional fees	189,500	254,198	(64,698)
Contracted services	340,000	228,101	111,899
Repairs and maintenance	299,487	465,033	(165,546)
Utilities	100,000	129,401	(29,401)
Regional water authority fees	520,000	488,286	31,714
Administrative	88,500	53,532	34,968
Other	5,000	4,978	22
Capital outlay		133,775	(133,775)
Total Expenditures	<u>1,542,487</u>	<u>1,757,304</u>	<u>(214,817)</u>
<b>Revenues Over Expenditures</b>	885,513	891,712	6,199
<b>Fund Balance</b>			
Beginning of the year	3,590,409	3,590,409	
<b>End of the year</b>	<u>\$ 4,475,922</u>	<u>\$ 4,482,121</u>	<u>\$ 6,199</u>



*Harris County Municipal Utility District No. 531*  
*Notes to Required Supplementary Information*  
*February 29, 2024*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**

**Harris County Municipal Utility District No. 531**  
**TSI-1. Services and Rates**  
**February 29, 2024**

1. Services provided by the District During the Fiscal Year:

- |   |   |   |  |
|---|---|---|--|
| <input checked="" type="checkbox"/> Retail Water  | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater   | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control                  | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks/Recreation   | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads                          | <input type="checkbox"/> Security            |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service |   |   |  |
| <input type="checkbox"/> Other (Specify): _____   |   |   |  |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 22.00	7,000	N	\$ 2.25	7,001 to 15,000
				\$ 2.50	15,001 to 25,000
				\$ 3.00	25,001 to no limit
Wastewater:	\$ 30.00		Y		to _____
Regional Water Authority Fee:	\$ -		N	\$ 3.60	1,000 to no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 64.75 Wastewater \$ 30.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	501	501	x 1.0	501
1"	12	12	x 2.5	30
1.5"	3	3	x 5.0	15
2"	9	9	x 8.0	72
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	527	527		723
Total Wastewater	508	508	x 1.0	508

See accompanying auditor's report.

***Harris County Municipal Utility District No. 531***  
***TSI-1. Services and Rates***  
***February 29, 2024***

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>125,803,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>116,389,000</u>	(Gallons billed / Gallons pumped)
		<u>92.52%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which the District is located: \_\_\_\_\_

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely  Partly  Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531*  
*TSI-2. General Fund Expenditures*  
*For the Year Ended February 29, 2024*

Professional fees	
Legal	\$ 126,689
Audit	16,500
Engineering	111,009
	<u>254,198</u>
Contracted services	
Bookkeeping	16,613
Operator	83,958
Garbage collection	126,968
Tap connection and inspection	562
	<u>228,101</u>
Repairs and maintenance	<u>465,033</u>
Utilities	<u>129,401</u>
Regional Water Authority fees	<u>488,286</u>
Administrative	
Directors fees	12,361
Printing and office supplies	2,197
Insurance	20,698
Other	18,276
	<u>53,532</u>
Other	<u>4,978</u>
Capital outlay	<u>133,775</u>
Total expenditures	<u>\$ 1,757,304</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531*  
*TSI-3. Investments*  
*February 29, 2024*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexSTAR	Variable	N/A	<u>\$ 4,501,754</u>
Debt Service			
TexSTAR	Variable	N/A	1,223,773
TexSTAR	Variable	N/A	<u>639,898</u>
			<u>1,863,671</u>
Capital Projects			
TexSTAR	Variable	N/A	<u>45,868</u>
Total - All Funds			<u><u>\$ 6,411,293</u></u>

See accompanying auditors' report.

**Harris County Municipal Utility District No. 531**  
**TSI-4. Taxes Levied and Receivable**  
**February 29, 2024**

	Maintenance Taxes	Road Debt Service Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 44,226	\$ 19,215	\$ 41,094	\$ 104,535
Adjustments to Prior Year Tax Levy	(829)	(790)	(686)	(2,305)
Adjusted Receivable	43,397	18,425	40,408	102,230
2023 Original Tax Levy	1,334,714	553,765	1,150,126	3,038,605
Adjustments	57,886	24,016	49,880	131,782
Adjusted Tax Levy	1,392,600	577,781	1,200,006	3,170,387
Total to be accounted for	1,435,997	596,206	1,240,414	3,272,617
Tax collections:				
Current year	1,340,830	556,302	1,155,396	3,052,528
Prior years	37,626	15,377	34,643	87,646
Total Collections	1,378,456	571,679	1,190,039	3,140,174
Taxes Receivable, End of Year	\$ 57,541	\$ 24,527	\$ 50,375	\$ 132,443
Taxes Receivable, By Years				
2023	51,770	21,479	44,610	117,859
2022	3,337	1,421	3,039	7,797
2021	791	461	889	2,141
2020 and prior	1,643	1,166	1,837	4,646
Taxes Receivable, End of Year	\$ 57,541	\$ 24,527	\$ 50,375	\$ 132,443
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 69,260,344	\$ 49,860,353	\$ 48,460,521	\$ 38,717,987
Improvements	287,434,493	247,089,784	183,749,318	143,001,019
Personal Property	3,264,377	1,539,041	1,303,783	3,937,087
Exemptions	(63,661,331)	(39,146,013)	(12,449,684)	(11,508,997)
Total Property Valuations	\$ 296,297,883	\$ 259,343,165	\$ 221,063,938	\$ 174,147,096
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.470	\$ 0.505	\$ 0.48	\$ 0.48
Road debt service tax rates	0.195	0.215	0.28	0.46
Debt service tax rates	0.405	0.460	0.54	0.41
Total Tax Rates per \$100 Valuation	\$ 1.070	\$ 1.180	\$ 1.30	\$ 1.35
Adjusted Tax Levy:	\$ 3,170,387	\$ 3,060,249	\$ 2,873,831	\$ 2,350,986
Percentage of Taxes Collected to Taxes Levied **	96.28%	99.75%	99.93%	99.93%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 5, 2013

\* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 5, 2013

\*\* Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.



*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2016--by Years  
 February 29, 2024*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 245,000	\$ 215,725	\$ 460,725
2026	260,000	208,150	468,150
2027	270,000	200,200	470,200
2028	280,000	191,950	471,950
2029	295,000	183,325	478,325
2030	310,000	174,250	484,250
2031	320,000	164,600	484,600
2032	335,000	154,156	489,156
2033	350,000	143,024	493,024
2034	365,000	131,178	496,178
2035	385,000	118,522	503,522
2036	400,000	105,275	505,275
2037	420,000	91,175	511,175
2038	440,000	76,125	516,125
2039	455,000	60,463	515,463
2040	480,000	44,100	524,100
2041	500,000	26,950	526,950
2042	520,000	9,100	529,100
	<u>\$ 6,630,000</u>	<u>\$ 2,298,268</u>	<u>\$ 8,928,268</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2017 Road --by Years  
 February 29, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 165,000	\$ 116,944	\$ 281,944
2026	165,000	112,000	277,000
2027	165,000	107,050	272,050
2028	165,000	101,997	266,997
2029	165,000	96,738	261,738
2030	165,000	91,272	256,272
2031	165,000	85,600	250,600
2032	165,000	79,825	244,825
2033	165,000	73,947	238,947
2034	165,000	67,863	232,863
2035	165,000	61,675	226,675
2036	165,000	55,488	220,488
2037	165,000	49,197	214,197
2038	165,000	42,700	207,700
2039	165,000	36,100	201,100
2040	165,000	29,500	194,500
2041	165,000	22,900	187,900
2042	165,000	16,300	181,300
2043	165,000	9,700	174,700
2044	160,000	3,200	163,200
	<u>\$ 3,295,000</u>	<u>\$ 1,259,996</u>	<u>\$ 4,554,996</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2018 Road --by Years  
 February 29, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 110,000	\$ 82,050	\$ 192,050
2026	110,000	77,375	187,375
2027	110,000	74,075	184,075
2028	110,000	70,775	180,775
2029	110,000	67,338	177,338
2030	110,000	63,694	173,694
2031	110,000	59,913	169,913
2032	110,000	55,994	165,994
2033	110,000	51,938	161,938
2034	105,000	47,906	152,906
2035	105,000	43,969	148,969
2036	105,000	39,900	144,900
2037	105,000	35,700	140,700
2038	105,000	31,500	136,500
2039	105,000	27,300	132,300
2040	105,000	23,100	128,100
2041	105,000	18,900	123,900
2042	105,000	14,700	119,700
2043	105,000	10,500	115,500
2044	105,000	6,300	111,300
2045	105,000	2,100	107,100
	<u>\$ 2,250,000</u>	<u>\$ 905,027</u>	<u>\$ 3,155,027</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2019--by Years  
 February 29, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 155,000	\$ 89,587	\$ 244,587
2026	155,000	84,550	239,550
2027	155,000	81,450	236,450
2028	155,000	78,350	233,350
2029	155,000	74,475	229,475
2030	155,000	69,825	224,825
2031	150,000	65,250	215,250
2032	150,000	60,750	210,750
2033	150,000	56,250	206,250
2034	150,000	51,750	201,750
2035	150,000	47,250	197,250
2036	150,000	42,750	192,750
2037	150,000	38,250	188,250
2038	150,000	33,750	183,750
2039	150,000	29,250	179,250
2040	150,000	24,750	174,750
2041	150,000	20,250	170,250
2042	150,000	15,750	165,750
2043	150,000	11,250	161,250
2044	150,000	6,750	156,750
2045	150,000	2,250	152,250
	<u>\$ 3,180,000</u>	<u>\$ 984,487</u>	<u>\$ 4,164,487</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2019 Road--by Years  
 February 29, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 60,000	\$ 32,700	\$ 92,700
2026	60,000	30,000	90,000
2027	60,000	28,050	88,050
2028	60,000	26,850	86,850
2029	60,000	25,650	85,650
2030	60,000	24,450	84,450
2031	60,000	23,250	83,250
2032	60,000	21,975	81,975
2033	60,000	20,625	80,625
2034	60,000	19,238	79,238
2035	60,000	17,812	77,812
2036	60,000	16,350	76,350
2037	60,000	14,850	74,850
2038	60,000	13,275	73,275
2039	60,000	11,625	71,625
2040	60,000	9,900	69,900
2041	60,000	8,100	68,100
2042	60,000	6,300	66,300
2043	60,000	4,500	64,500
2044	60,000	2,700	62,700
2045	60,000	900	60,900
	<u>\$ 1,260,000</u>	<u>\$ 359,100</u>	<u>\$ 1,619,100</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2020--by Years  
 February 29, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 110,000	\$ 46,009	\$ 156,009
2026	110,000	41,609	151,609
2027	110,000	38,515	148,515
2028	110,000	36,728	146,728
2029	110,000	34,940	144,940
2030	105,000	33,193	138,193
2031	105,000	31,487	136,487
2032	105,000	29,768	134,768
2033	105,000	28,035	133,035
2034	105,000	26,250	131,250
2035	105,000	24,413	129,413
2036	105,000	22,443	127,443
2037	105,000	20,343	125,343
2038	105,000	18,243	123,243
2039	105,000	16,143	121,143
2040	105,000	14,043	119,043
2041	105,000	11,944	116,944
2042	105,000	9,844	114,844
2043	105,000	7,744	112,744
2044	105,000	5,578	110,578
2045	105,000	3,347	108,347
2046	105,000	1,116	106,116
	<u>\$ 2,335,000</u>	<u>\$ 501,735</u>	<u>\$ 2,836,735</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2021--by Years  
 February 29, 2024*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 190,000	\$ 151,350	\$ 341,350
2026	195,000	142,800	337,800
2027	205,000	134,024	339,024
2028	210,000	124,800	334,800
2029	220,000	120,600	340,600
2030	225,000	116,200	341,200
2031	235,000	111,700	346,700
2032	245,000	107,000	352,000
2033	255,000	102,100	357,100
2034	265,000	97,000	362,000
2035	270,000	91,700	361,700
2036	280,000	86,300	366,300
2037	295,000	80,350	375,350
2038	305,000	74,080	379,080
2039	315,000	67,600	382,600
2040	325,000	60,513	385,513
2041	340,000	53,200	393,200
2042	350,000	45,125	395,125
2043	365,000	36,813	401,813
2044	380,000	28,144	408,144
2045	395,000	19,119	414,119
2046	410,000	9,738	419,738
	<u>\$ 6,275,000</u>	<u>\$ 1,860,256</u>	<u>\$ 8,135,256</u>

See accompanying auditors' report.

*Harris County Municipal Utility District No. 531  
 TSI-5. Long-Term Debt Service Requirements  
 All Bonded Debt Series--by Years  
 February 29, 2024*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 1,035,000	\$ 734,365	\$ 1,769,365
2026	1,055,000	696,484	1,751,484
2027	1,075,000	663,364	1,738,364
2028	1,090,000	631,450	1,721,450
2029	1,115,000	603,066	1,718,066
2030	1,130,000	572,884	1,702,884
2031	1,145,000	541,800	1,686,800
2032	1,170,000	509,468	1,679,468
2033	1,195,000	475,919	1,670,919
2034	1,215,000	441,185	1,656,185
2035	1,240,000	405,341	1,645,341
2036	1,265,000	368,506	1,633,506
2037	1,300,000	329,865	1,629,865
2038	1,330,000	289,673	1,619,673
2039	1,355,000	248,481	1,603,481
2040	1,390,000	205,906	1,595,906
2041	1,425,000	162,244	1,587,244
2042	1,455,000	117,119	1,572,119
2043	950,000	80,507	1,030,507
2044	960,000	52,672	1,012,672
2045	815,000	27,716	842,716
2046	515,000	10,854	525,854
	<u>\$ 25,225,000</u>	<u>\$ 8,168,869</u>	<u>\$ 33,393,869</u>

See accompanying auditors' report.



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**Harris County Municipal Utility District No. 531**  
**TSI-6. Change in Long-Term Bonded Debt**  
**February 29, 2024**

	Bond Issue			
	Series 2016	Series 2017 Road	Series 2018 Road	Series 2019
Interest rate	2.00% - 3.50%	2.00% - 4.00%	3.00% - 5.50%	2.00% - 4.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/17 - 9/1/41	9/1/19 - 9/1/43	9/1/20 - 9/1/44	9/1/20 - 9/1/44
Beginning bonds outstanding	\$ 6,865,000	\$ 3,460,000	\$ 2,360,000	\$ 3,335,000
Bonds retired	(235,000)	(165,000)	(110,000)	(155,000)
Ending bonds outstanding	<u>\$ 6,630,000</u>	<u>\$ 3,295,000</u>	<u>\$ 2,250,000</u>	<u>\$ 3,180,000</u>
Interest paid during fiscal year	<u>\$ 221,750</u>	<u>\$ 121,900</u>	<u>\$ 88,100</u>	<u>\$ 96,563</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			

Bond Authority:	Water, Sewer, Drainage and Refunding Bonds	Park and Recreational and Refunding Bonds	Road and Refunding Bonds
Amount Authorized by Voters	\$ 157,000,000	\$ 20,500,000	\$ 51,000,000
Amount Issued	(21,125,000)		(8,310,000)
Remaining To Be Issued	<u>\$ 135,875,000</u>	<u>\$ 20,500,000</u>	<u>\$ 42,690,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of February 29, 2024:	<u>\$ 2,210,192</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,517,903</u>

See accompanying auditors' report.

Bond Issue			
Series 2019 Road	Series 2020	Series 2021	Totals
2.00% - 4.50% 9/1; 3/1 9/1/20 - 9/1/44	1.625% - 4.0% 9/1; 3/1 9/1/22 - 9/1/45	2.00% - 4.50% 9/1; 3/1 3/1/22 - 3/1/46	
\$ 1,320,000	\$ 2,445,000	\$ 6,455,000	\$ 26,240,000
(60,000)	(110,000)	(180,000)	(1,015,000)
<u>\$ 1,260,000</u>	<u>\$ 2,335,000</u>	<u>\$ 6,275,000</u>	<u>\$ 25,225,000</u>
<u>\$ 35,400</u>	<u>\$ 50,409</u>	<u>\$ 159,450</u>	<u>\$ 773,572</u>

**Harris County Municipal Utility District No. 531**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Water service	\$ 344,336	\$ 307,453	\$ 223,027	\$ 238,348	\$ 207,515
Sewer service	229,232	186,169	179,895	162,330	133,008
Property taxes	1,378,607	1,304,742	1,112,446	834,399	651,375
Penalties and interest	18,752	17,563	7,750	6,382	11,418
Regional Water Authority fees	500,671	614,248	413,438	408,236	353,174
Tap connection and inspection	1,875	185,806	23,145	104,874	86,509
Miscellaneous	979	5,115	4,210	7,101	4,220
Investment earnings	174,564	56,957	1,516	7,407	28,375
<b>Total Revenues</b>	<b>2,649,016</b>	<b>2,678,053</b>	<b>1,965,427</b>	<b>1,769,077</b>	<b>1,475,594</b>
Expenditures					
Current service operations					
Professional fees	254,198	243,169	204,643	167,952	179,216
Contracted services	228,101	240,404	218,772	225,019	177,060
Repairs and maintenance	465,033	376,879	295,450	300,623	234,930
Utilities	129,401	109,612	111,064	81,351	61,578
Regional Water Authority fees	488,286	610,429	401,702	400,105	334,291
Administrative	53,532	42,406	37,231	35,067	33,393
Other	4,978	1,418	17,367	2,983	11,556
Capital outlay	133,775	669,105			24,500
<b>Total Expenditures</b>	<b>1,757,304</b>	<b>2,293,422</b>	<b>1,286,229</b>	<b>1,213,100</b>	<b>1,056,524</b>
<b>Revenues Over Expenditures</b>	<b>\$ 891,712</b>	<b>\$ 384,631</b>	<b>\$ 679,198</b>	<b>\$ 555,977</b>	<b>\$ 419,070</b>
Total Active Retail Water Connections	527	526	522	499	434
Total Active Retail Wastewater Connections	508	507	505	482	419

\*Percentage is negligible  
See accompanying auditors' report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
13%	11%	11%	13%	14%
9%	7%	9%	9%	9%
52%	49%	58%	49%	44%
1%	1%	*	*	1%
19%	23%	21%	23%	24%
*	7%	1%	6%	6%
*	*	*	*	*
6%	2%	*	*	2%
100%	100%	100%	100%	100%

10%	9%	10%	9%	12%
9%	9%	11%	13%	12%
18%	14%	15%	17%	16%
5%	4%	6%	5%	4%
18%	23%	20%	23%	23%
2%	2%	2%	2%	2%
*	*	1%	*	1%
5%	25%			2%
67%	86%	65%	69%	72%
33%	14%	35%	31%	28%

**Harris County Municipal Utility District No. 531**

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**

**For the Last Five Fiscal Years**

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 1,761,574	\$ 1,749,549	\$ 1,915,053	\$ 1,518,626	\$ 1,227,596
Penalties and interest	19,927	20,200	26,173	19,365	11,941
Investment earnings	78,424	32,438	747	2,280	8,046
Total Revenues	<u>1,859,925</u>	<u>1,802,187</u>	<u>1,941,973</u>	<u>1,540,271</u>	<u>1,247,583</u>
Expenditures					
Tax collection services	41,693	40,852	42,830	36,644	28,717
Other	2,500	2,500	5,058	364	432
Debt service					
Principal	1,015,000	1,000,000	845,000	695,000	365,000
Interest and fees	778,821	816,371	741,785	666,500	583,425
Total Expenditures	<u>1,838,014</u>	<u>1,859,723</u>	<u>1,634,673</u>	<u>1,398,508</u>	<u>977,574</u>
Revenues Over/(Under) Expenditures	<u>\$ 21,911</u>	<u>\$ (57,536)</u>	<u>\$ 307,300</u>	<u>\$ 141,763</u>	<u>\$ 270,009</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
95%	97%	99%	99%	98%
1%	1%	1%	1%	1%
4%	2%	*	*	1%
100%	100%	100%	100%	100%
2%	2%	2%	2%	2%
*	*	*	*	*
55%	55%	44%	45%	29%
42%	45%	38%	43%	47%
99%	102%	84%	90%	78%
1%	(2%)	16%	10%	22%

**Harris County Municipal Utility District No. 531**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended February 29, 2024**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 9, 2022  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Paul White	5/20 to 5/24	\$ 2,447	\$ 738	President
Joyce Tate	1/22 to 5/24	3,181	1,564	Vice President
Bradley Wojcik	5/22 to 5/26	2,297	397	Secretary
Damon Walker	12/21 to 5/24	1,484	755	Assistant Secretary
Glenn Gallia	5/22 to 5/26	3,402	1,513	Assistant Vice President
<b>Consultants</b>				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson, LLP <i>General legal fees</i>	8/2013	\$ 130,493		Attorney
Environmental Development Partners, LLC	10/2013			Operator
Myrtle Cruz, Inc.	9/2013	18,516		Bookkeeper
Assessments of the Southwest, Inc.	9/2013	9,723		Tax Collector
Harris Central Appraisal District	Legislation	17,480		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	3/2014	6,426		Delinquent Tax Attorney
LJA Engineering, Inc.	8/2013	119,503		Engineer
McGrath & Co., PLLC	Annual	16,500		Auditor
Masterson Advisors LLC	5/2018			Financial Advisor

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
See accompanying auditors' report.