

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 21, 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 Initial Purchaser.

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE **NOT** BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS"

BOOK-ENTRY-ONLY

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

\$11,250,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2024

Dated: December 1, 2024

Due: April 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Co., N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the date of initial delivery (expected to be on or about December 19, 2024) (the "Date of Delivery") and will be payable on April 1 and October 1 of each year, commencing April 1, 2025, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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/Registrar, as herein defined, 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."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)	Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)
2026	\$ 130,000				2040	\$ 230,000 (c)			
2027	135,000				2041	240,000 (c)			
2028	140,000				2042	250,000 (c)			
2029	145,000				2043	260,000 (c)			
2030	155,000				2044	275,000 (c)			
2031	160,000				2045	285,000 (c)			
2032	165,000 (c)				2046	300,000 (c)			
2033	175,000 (c)				2047	880,000 (c)			
2034	180,000 (c)				2048	920,000 (c)			
2035	190,000 (c)				2049	960,000 (c)			
2036	195,000 (c)				2050	1,000,000 (c)			
2037	205,000 (c)				2051	1,040,000 (c)			
2038	215,000 (c)				2052	1,080,000 (c)			
2039	220,000 (c)				2053	1,120,000 (c)			

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

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 149 (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 when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about December 19, 2024.

BIDS DUE: MONDAY, NOVEMBER 18, 2024 AT 10:45 A.M., HOUSTON TIME, HOUSTON, TEXAS
BID AWARD: MONDAY, NOVEMBER 18, 2024 AT 1:30 P.M., HOUSTON TIME, 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 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.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, orders, 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 Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2500, Houston, Texas, 77056 upon payment of the costs of duplication.

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

OFFICIAL STATEMENT SUMMARY

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

- The Issue*.....\$11,250,000 Harris County Municipal Utility District No. 149, Unlimited Tax Bonds, Series 2024, dated December 1, 2024. The Bonds mature serially on April 1 in each year from 2026 through 2053, both inclusive, in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from the Delivery Date and will be payable April 1 and October 1 of each year commencing April 1, 2025, until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on or after April 1, 2032 are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2031, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM” and “THE BONDS—Redemption Provisions.” The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”
- Book-Entry-Only*.....The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY- ONLY SYSTEM.”
- Authority for Issuance*The Bonds are issued by Harris County Municipal Utility District No. 149 (the “District”) pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas applicable to municipal utility districts, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ”) and elections held within the District. See “THE BONDS—Authority for Issuance.”
- Source of Payment*.....The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. 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. See “THE BONDS—Source and Security for Payment.”
- Use of Proceeds*Proceeds from the Bonds will be used to fund the District’s share of construction and engineering expenses related to the replacement of the Water Plant serving the District. In addition, Bond proceeds will also be used to capitalize six (6) months of interest and to pay certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Payment Record*.....The District has previously issued nine series of unlimited tax bonds and five series of unlimited tax refunding bonds, of which \$9,615,000 was outstanding as of October 2, 2024 (the “Outstanding Bonds”). The District has never defaulted on the debt service payments on the Outstanding Bonds.

<i>Qualified Tax-Exempt Obligations</i>	The District has not designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Not Qualified Tax-Exempt Obligations.”
<i>Bond Counsel</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas.
<i>Engineer</i>	Quiddity Engineering, LLC, Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P, Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas.
<i>Municipal Bond Insurance and Municipal Bond Rating</i>	Application has been made to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) for an underlying rating on the Bonds, and S&P has assigned an underlying rating of “A-” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser (as defined herein) at the Initial Purchaser’s expense. The rating fee of S&P will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

THE DISTRICT

<i>Description and Location</i>	Harris County Municipal Utility District No. 149 of Harris County, Texas is a political subdivision of the State of Texas, created by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”) on March 30, 1977, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas applicable to municipal utility districts. The District consists of approximately 336 acres of land. The District is located approximately 20 miles west-northwest of downtown Houston. The major portion of the District is located at the southwest corner of the intersection of F.M. 529 and Texas Highway 6. See “THE DISTRICT.”
<i>Status of Development</i>	Sommerall Subdivision, Sections 1 through 4 (“Sommerall”), which encompasses approximately 272 acres developed into 1,170 single family residential lots, is substantially built out. Construction of homes began in 1978, and, as of September 1, 2024, the District had 1,156 active single-family connections and 14 inactive single-family connections. Average house and lot values, as reflected on the 2024 tax rolls, are approximately \$176,261 (after application of 20% homestead exemption).

There are also approximately 39 active commercial users in the District, which include a bank, three self-storage facilities, three convenience stores/gas stations, two auto care centers, a Food Town grocery store, a veterinary clinic, a Texas Buffet restaurant, four additional restaurants, and a strip shopping center that includes three medical/dental offices, a sports bar, two restaurants, one motel and various other retail and service establishments. The commercial development encompasses approximately 54 acres of land in the District. Also located within the District is a church which is not subject to taxation by the District. The District also has approximately 10 acres of land upon which no vertical improvements have been constructed. Such acreage is provided with trunk facilities, but additional internal facilities may be required in the future to fully serve this acreage depending on its ultimate use. There is no current development activity within the District. The District is unaware of any other specific plans for the development or construction of improvements on the remaining unimproved acreage. See “THE DISTRICT—Status of Development.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2024 Taxable Assessed Valuation	\$296,341,435 (a)
Gross Direct Debt Outstanding.....	\$ 20,865,000 (b)
Ratios of Gross Direct Debt to:	
2024 Taxable Assessed Valuation.....	7.04%
2024 Debt Service Tax Rate	\$0.395
2024 Maintenance Tax Rate	<u>0.242</u>
Total	<u>\$0.637</u>
Average percentage of total tax collections (2019-2023)	99.32%
Average Annual Debt Service Requirement (2025-2053).....	\$1,145,573 (b)
Maximum Annual Debt Service Requirement (2049).....	\$1,160,600 (b)
Tax Rate Required to Pay Average Annual Debt Service (2025-2053) at a 95% Collection Rate	
Based upon 2024 Taxable Assessed Valuation	\$0.41
Tax Rate Required to Pay Maximum Annual Debt Service (2049) at a 95% Collection Rate	
Based upon 2024 Taxable Assessed Valuation	\$0.42
Status of Development as of September 1, 2024 (c):	
Single family - occupied	1,156
Single family – unoccupied.....	14
Commercial	47
Other (Irrigation).....	11
Estimated 2024 Population.....	4,046 (d)

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- (a) The Harris Central Appraisal District (the “Appraisal District”) has certified \$251,924,470 of taxable value within the District as of January 1, 2024. An additional \$44,416,965 of taxable value remains uncertified and is subject to review and downward adjustment prior to certification. See “TAXING PROCEDURES.”
 - (b) After giving effect to issuance of the Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds” and “DEBT SERVICE REQUIREMENTS.”
 - (c) See “THE DISTRICT—Land Use” and “Status of Development.”
 - (d) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

\$11,250,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149

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

UNLIMITED TAX BONDS

SERIES 2024

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 149 (the “District”) of its \$11,250,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

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

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2500, Houston, Texas 77056, upon payment of duplication costs therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated December 1, 2024, with interest payable April 1 and October 1 thereafter (each an “Interest Payment Date”), commencing April 1, 2025, until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on April 1 of the years and in the amounts shown under “MATURITIES PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on May 5, 2001 and November 6, 2018, voters of the District authorized a total of \$13,850,000 and \$34,000,000, respectively, in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the fourth issuance of bonds from the 2001 authorization, and the first issuance of Bonds from the 2018 authorization. After the issuance of the Bonds, all of the bonds from the 2001 authorization will have been issued, and \$23,180,000 of the principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued from the 2018 authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas applicable to municipal utility districts; and an order of the TCEQ dated October 3, 2024.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAX PROCEDURES”. Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. An amount equal to six (6) months interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2032 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. 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.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

At elections held within the District on May 5, 2001 and November 6, 2018, voters of the District authorized a total of \$13,850,000 and \$34,000,000, respectively, in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. The Bonds constitute the fourth issuance of bonds from the 2001 authorization, and the first issuance of Bonds from the 2018 authorization. Following the issuance of the Bonds, the District will have issued all of the bonds from the 2001 authorization, and \$23,180,000 of the principal amount from the 2018 authorization of unlimited tax bonds authorized but unissued for said facilities. The District's voters have also authorized a total of \$43,235,000 in principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has \$40,187,947 in principal amount of unlimited tax refunding bonds authorized but unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

The District has not considered calling an election for such purposes but could consider doing so in the future. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. 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 attempt to annex the District for full purposes 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. Under the terms of the Strategic Partnership Agreement (the "SPA") between the District and the City of Houston, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies."

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book- Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities 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.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchasers take any responsibility for the accuracy thereof.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Rights Commission, a predecessor to the TCEQ, dated March 30, 1977, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston (except as described herein under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities" and "—Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage and recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM—Regulation."

Description

The District, which contains approximately 336 acres of land, is located in the western portion of Harris County approximately 20 miles west northwest of the downtown business area of Houston. The largest portion of the District is bounded on the south by F.M. 529 approximately one-half mile west of the intersection of F.M. 529 and State Highway 6 ("S.H. 6"), and a small portion of the District is located at the southwest corner of the intersection of F.M. 529 and S.H. 63

Status of Development

Development in the District began in 1978, and the District has been developed for single-family residential and commercial purposes. There is no current development activity within the District.

The District currently provides water, sanitary sewer and drainage facilities to serve Sommerall Subdivision, Sections 1 through 4, ("Sommerall"), which encompasses approximately 272 acres developed into 1,170 single family residential lots. The District has been developed primarily as a single family residential subdivision and is substantially built out. On September 1, 2024, the District contained 1,156 active single family connections and 14 inactive single family connections. Average house and lot values, as reflected on the 2024 tax rolls, are approximately \$176,261 (after application of a 20% homestead exemption).

There are also approximately 39 active commercial users in the District, which include a bank, three self storage facilities, three convenience stores/gas stations, two auto care centers, a Food Town grocery store, a veterinary clinic, a Texas Buffet restaurant, four additional restaurants, and a strip shopping center that includes three medical/dental offices, a sports bar, two restaurants, and various other retail and service establishments. The commercial development encompasses approximately 54 acres of land in the District. See "Strategic Partnership Agreement" herein. Also located within the District is a church which is not subject to taxation by the District. The District also has approximately 10 acres of land upon which no vertical improvements have been constructed. Such acreage is provided with trunk facilities, but additional internal facilities may be required in the future to fully serve this acreage depending on its ultimate use. The District is unaware of any other specific plans for the development or construction of improvements on the remaining unimproved acreage.

Community Facilities

Community facilities are available in the general vicinity of the District. Neighborhood shopping facilities including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within two miles of the District in the Bear Creek and Copperfield areas and those areas adjacent to S.H. 6. Fire protection is provided by the Cypress Fairbanks Volunteer Fire Department, which operates from a fire station located less than one mile from the District. Police protection is provided by Harris County. Children residing within the District attend schools within the Cypress Fairbanks Independent School District. The nearest medical facility to the District is Cypress-Fairbanks Medical Center. In addition, a professional building is located adjacent to the medical center.

Strategic Partnership Agreement

The District and the City of Houston (the "City") have entered into a Strategic Partnership Agreement dated effective December 14, 2009 (the "SPA ") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the approximate 54 acres of commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Four of the Directors listed below reside within the District and the other Director owns land in the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Stefanie F. Cline	President	May 2028
Terrence F. Stephens	Vice President	May 2026
Margaret Petry	Secretary	May 2026
John R. VanDyke	Asst. Secretary	May 2028
Randall L. Kallus	Asst. Secretary	May 2026

The District has no full-time employees but instead contracts with the entities described below for professional services:

Bond Counsel and General Counsel

Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P. as disclosure counsel ("Disclosure Counsel"). The fees paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

Tax Assessor/Collector

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

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. (the “Bookkeeper”) for bookkeeping services for the District.

System Operator

The District contracts with Inframark, LLC for maintenance and operation of the District's system.

Engineer

The District’s consulting engineer is Quiddity Engineering, LLC (the “Engineer”).

Auditor

The financial statements of the District as of and for the fiscal year ended March 31, 2024, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, as stated in their report appearing herein. See “APPENDIX A.”

THE SYSTEM

Regulation

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

Source of Water Supply

The District is presently served by one water plant which includes a 1,200 gallon per minute (“gpm”) well and a 500 gpm well, four ground storage tanks with 800,000 gallons of capacity, three pressure tanks with 35,000 gallons of capacity, and booster pump capacity of 3,460 gpm. The District purchases surface water from the West Harris County Regional Water Authority (the “Authority”). Pursuant to and in accordance with the Amended and Restated Water Supply Agreement between the District and Harris County Municipal Utility District No. 257 (“MUD No. 257”) dated October 15, 2018 (the “A&RWSA”), which has a term of sixty (60) years, MUD No. 257 owns and is entitled to use 16.05% of the water plant and the District owns and is entitled to use 83.95% of the water plant. MUD No. 257’s interest in the water plant entitles it to 321 equivalent single-family connections. The District and MUD No. 257 share the cost of operating and maintaining the water plant in accordance with the A&RWSA. According to Quiddity Engineering, LLC, the District’s consulting engineer (the “Engineer”), the District has adequate water supply facilities to serve 1,600 equivalent single-family connections. The District currently serves approximately 1,336 equivalent single family connections. A portion bond proceeds will be used to finance the design and construction of the water plant replacement. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The District also maintains three emergency waterline interconnects with Harris County Municipal Utility District No. 186, Northwest Harris County Municipal Utility District No. 16, and Langham Creek Utility District.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District’s jurisdiction. The Authority was created by the Texas Legislature to provide surface water to its customers, to develop a regional groundwater reduction plan, to construct regional infrastructure to affect the groundwater reduction plan, to coordinate construction financing, and to operate the regional infrastructure. The Authority’s jurisdiction encompasses portions of Area 3, including the District.

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 Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The District is included within the Authority’s GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of \$3.90 per 1,000 gallons of groundwater pumped and \$4.35 for surface water received. These fees are subject to increase in the future. The Authority has issued bonds to fund, among other things, certain Authority surface water project costs, including the construction of a network of transmission and distribution lines, storage tanks and pumping stations to transport and distribute water within the Authority (the “Authority System”).

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand within the Authority’s GRP beginning in 2010; (ii) limit groundwater withdrawals to no more than 30% of the total annual water demand within the Authority’s GRP beginning in 2020; and (iii) limit groundwater withdrawals to no more than 20% of the total annual water demand within the Authority’s GRP beginning in 2030. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a \$9.24 per 1,000 gallons disincentive fee penalty (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within 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. Groundwater pumped from wells located within the Authority is not currently subject to the Disincentive Fee. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek 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 continue passing such fees through to its customers resulting in higher water rates. 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.

Source of Wastewater Treatment

The District owns and operates a wastewater treatment plant with 450,000 gallons per day (gpd) capacity. The District and MUD No. 257 entered into that certain Amended and Restated Waste Disposal Agreement dated effective as of February 5, 2020, (the “A&RWDA”), which has the same term as the A&RWSA. Under the terms of the A&RWDA, MUD No. 257 owns 70,000 gpd sewage treatment capacity in the wastewater treatment plant. The District has an 84.44% interest (approximately 380,000 gpd) in the plant, and MUD No. 257 has a 15.56% interest. The District and MUD No. 257 share the cost of operating and maintaining the wastewater treatment plant in accordance with the A&RWDA. According to the District’s Engineer, the District has adequate wastewater treatment plant capacity to service approximately 1,490 equivalent single family connections, which is sufficient to serve the approximately 1,336 equivalent single family connections currently served by the District.

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 not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, all land within the District is above the 100-year flood plain elevation. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Litigation

The District and MUD No. 257 are in a billing dispute related to the abovementioned Amended and Restated Water Supply Agreement and the Amended and Restated Waste Disposal Agreement. On June 23, 2023, MUD No. 257 added the District as a defendant in its lawsuit against its former operating consultant, Si Environmental LLC (Cause No. 2022-79830; 61st District Court, Harris County, Texas), in which MUD No. 257 seeks recovery of at least \$1,286,583, exclusive of interest, professional fees, attorneys' fees, and pre-judgment and post-judgment interest. The District denies liability and that, at most, its liability is limited to a two-year "look back" period for billing reconciliations, amounting to approximately \$378,107 in fees. The parties have had settlement discussions but have not reached an agreement. The outcome of the lawsuit, the timeframe for resolution, and the ultimate amount to be paid, if any, by the District is unknown.

Use and Distribution of Bond Proceeds

The construction costs were compiled by Quiddity Engineering, LLC, the District's engineer (the "Engineer"), based on the estimated cost of facilities and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the District's financial advisor, Masterson Advisors LLC (the "Financial Advisor"), at the time the District's bond application was filed with the TCEQ. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used. Certain uses of surplus funds require TCEQ approval.

Proceeds from the Bonds will be used to fund the District's share of construction and engineering expenses for a new water plant. Bond proceeds will also be used to capitalize six (6) months of interest and to pay certain costs associated with the issuance of the Bonds.

<u>CONSTRUCTION RELATED COSTS</u>	
Water Plant Replacement.....	\$ 7,000,000
Contingencies.....	700,000
Engineering.....	<u>2,237,000</u>
Total Construction Related Costs.....	\$ 9,937,000
<u>NON-CONSTRUCTION COSTS</u>	
Underwriter's Discount (estimated at 3%).....	\$ 337,500
Capitalized Interest (6 months estimated at 5.25%).....	295,313
Contingency (a).....	<u>-</u>
Total Non-Construction Related Costs.....	\$ 632,813
<u>ISSUANCE COSTS AND FEES</u>	
Issuance Costs and Professional Fees.....	\$ 567,562
Bond Application Report Costs.....	75,000
State Regulatory Fees.....	<u>37,625</u>
Total Issuance Costs and Fees.....	\$ 680,187
TOTAL BOND ISSUE	\$ 11,250,000

(a) Represents surplus funds resulting from the sale of the Bonds at a lower underwriter's discount and lower interest rate than estimated and can be used for purposes allowed and approved by the TCEQ.

In the instance that TCEQ-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
November 6, 2018	Water, Sanitary Sewer and Drainage	\$ 34,000,000	\$ 10,820,000 *	\$ 23,180,000
November 6, 2018	Refunding	\$ 34,000,000	\$ -	\$ 34,000,000
May 5, 2001	Water, Sanitary Sewer and Drainage	\$ 13,850,000	\$ 13,850,000 *	\$ -
May 2, 1992	Refunding	\$ 9,235,000	\$ 3,047,053	\$ 6,187,947

* Includes the Bonds.

FINANCIAL STATEMENT

2024 Taxable Assessed Valuation	\$296,341,435	(a)
Direct Debt Outstanding (Bonds as of October 2, 2024).....	\$9,615,000	
The Bonds.....	<u>11,250,000</u>	
Gross Direct Debt Outstanding (after issuance of the Bonds)	\$ 20,865,000	
Ratios of Gross Direct Debt to:		
2024 Taxable Assessed Valuation	7.04%	

Area of District — 336 acres
2024 Population — 4,046 (b)

- (a) The Appraisal District has certified \$251,924,470 of taxable value within the District as of January 1, 2024. An additional \$44,416,965 of taxable value remains uncertified and is subject to review and downward adjustment prior to certification. See "TAXING PROCEDURES."
 (b) Based upon 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of October 21, 2024)

General Fund	Cash and Temporary Investments	\$3,513,267	
Capital Projects	Cash and Temporary Investments	\$877,393	
Debt Service Fund	Cash and Temporary Investments	\$678,791	(a)

- (a) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. In addition, six (6) months of capitalized interest will be deposited into such fund from Bond proceeds. Includes funds for the October 1, 2024 debt service payment in the amount of \$287,944.38.

Outstanding Bonds (as of October 2, 2024)

The following table lists the original principal amount and the principal amount outstanding of the Outstanding Bonds.

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds (as of 10/2/24)</u>
2010	\$ 1,365,000	\$ 190,000
2020	10,000,000	9,425,000
Total		\$ 9,615,000

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. 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 owning, long term securities or derivative products in the District's investment portfolio. Current Investment Policy also allows direct obligations of the State of Texas or its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions rated "A" or higher by a nationally recognized rating service, commercial paper, and no-load money market mutual funds.

ESTIMATED OVERLAPPING DEBT STATEMENT

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Harris County.....	\$ 2,424,019,039	9/30/2024	0.05%	\$ 1,090,809
Harris County Flood Control District.....	968,445,000	9/30/2024	0.05%	455,169
Harris County Hospital District.....	65,285,000	9/30/2024	0.05%	32,643
Harris County Department of Education.....	28,960,000	9/30/2024	0.05%	13,322
Port of Houston Authority.....	426,134,397	9/30/2024	0.05%	196,022
Lone Star College.....	507,100,000	9/30/2024	0.10%	486,816
Cypress-Fairbanks Independent School District.....	3,376,585,000	9/30/2024	0.43%	14,418,018
Total Estimated Overlapping Debt.....				\$ 16,692,798
The District.....	20,865,000 (a)	Current	100.00%	20,865,000
Total Direct and Estimated Overlapping Debt.....				\$ 37,557,798
Ratio of Estimated Direct and Overlapping Debt to 2024 Taxable Assessed Valuation.....				12.67%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2023

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, 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 taxing jurisdictions overlapping the District and the 2024 tax rate for the District. 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.

	<u>2023 Tax Rate per \$100 of Taxable 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 Community College System.....	0.107600
Harris County ESD No. 9.....	<u>0.443600</u>
 Total Overlapping Tax Rate.....	 \$ 2.167390
 The District	 <u>0.637000</u>
 Total Tax Rate.....	 \$ 2.804390

TAX DATA

Historical Tax Collections

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

<u>Tax Year</u>	Certified	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Total Collections as of September 30, 2024</u>	
	<u>Taxable Assessed Valuation</u>			<u>Amount</u>	<u>Percent</u>
2019	\$ 198,938,776	\$0.550	\$ 1,094,163	\$ 1,090,280	99.65%
2020	208,507,956	0.520	1,084,241	1,080,906	99.69%
2021	228,012,639	0.505	1,151,464	1,146,415	99.56%
2022	256,680,350	0.505	1,296,236	1,288,618	99.41%
2023	280,587,882	0.505	1,416,969	1,400,902	98.87%

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2024	2023	2022	2021	2020
Debt Service	\$ 0.395	\$ 0.260	\$ 0.255	\$ 0.245	\$ 0.275
Maintenance and Operations	0.242	0.245	0.250	0.260	0.245
Total	\$ 0.637	\$ 0.505	\$ 0.505	\$ 0.505	\$ 0.520

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$0.50 per \$100 assessed valuation.

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2024 in the amount of \$0.395 per \$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. At an election held on August 13, 1977, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. At an election held on November 6, 2018, voters in the District authorized the levy of an additional annual maintenance tax not to exceed \$0.25 per \$100 of assessed valuation, resulting in the total authorization to levy a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation. For the 2024 tax year, the Board levied a maintenance tax in the amount of \$0.242 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2024, the District has exempted twenty percent (20%) of the market value of any residential homesteads from taxation and \$10,000 of the appraised value of resident homesteads for taxpayers who are disabled or 65 years of age and older.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on July 1 of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the certified taxable assessed value of such property and such property's certified assessed value as a percentage of the certified portion (\$251,924,470) of the 2024 Taxable Assessed Valuation of \$296,341,435, which represents ownership as of January 1, 2024. A principal taxpayer list related to the uncertified portion of the 2024 Assessed Valuation (\$44,416,965) is not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Certified Taxable Assessed Valuation</u>	<u>% of 2024 Certified Taxable Assessed Valuation</u>
Citymark Inc	Land & Improvements	\$ 6,348,834	2.52%
Store It All Storage FM 529 LLC	Land & Improvements	4,730,000	1.88%
Copperwood Village LP	Land & Improvements	3,664,945	1.45%
Rabieh Capital LLC	Land & Improvements	3,453,107	1.37%
Dayton Hudson Corp	Land & Improvements	3,329,137	1.32%
2ML Real Estate Interests	Land & Improvements	3,166,522	1.26%
New Four Seasons LLC	Land & Improvements	2,500,000	0.99%
Centra Clinic Inc	Land & Improvements	2,437,197	0.97%
Extraspace Storage Inc	Land & Improvements	2,308,598	0.92%
Houston Crossroads Animal Clinic	Land, Improvements & Personal	1,955,185	0.78%
Total		\$ 33,893,525	13.45%

Summary of Assessed Valuation

The following summary of the 2024, 2023 and 2022 Taxable Assessed Valuations is provided by the District's Tax Assessor/Collector based on information contained in the 2024, 2023 and 2022 tax rolls of the District. A breakdown related to the uncertified portion of the 2024 Taxable Assessed Valuation is not available from the Appraisal District.

	2024 Taxable Assessed Valuation	2023 Certified Taxable Assessed Valuation	2022 Certified Taxable Assessed Valuation
Land	\$ 74,615,791	\$ 90,788,736	\$ 80,806,305
Improvements	216,949,992	241,002,259	224,176,836
Personal Property	8,293,111	9,205,899	8,875,085
Exemptions	(47,934,424)	(60,409,012)	(57,177,876)
Certified Total	\$ 251,924,470	\$ 280,587,882	\$ 256,680,350
Uncertified Value	44,416,965		
Total	<u>\$ 296,341,435</u>	<u>\$ 280,587,882</u>	<u>\$ 256,680,350</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2024 Taxable Assessed Valuation of \$296,341,435 (\$251,924,470 certified value plus \$44,416,965 uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service.

Average Annual Debt Service Requirement (2025-2053)	\$1,145,573
\$0.41 Tax Rate on 2024 Taxable Assessed Valuation at 95% collections.....	\$1,154,250
Maximum Annual Debt Service Requirement (2049)	\$1,160,600
\$0.42 Tax Rate on 2024 Taxable Assessed Valuation at 95% collections.....	\$1,182,402

No representation or suggestion is made that the uncertified portion 2024 Taxable Assessed Valuation will not be adjusted downward prior to certification, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly 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"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2024 tax year, the District has granted an exemption of \$10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. 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 assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or, a first responder as defined under Texas law, who was (i) killed in action, or (ii) fatally injured in the line of duty, is subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

Tax Exemption Provided to Public Facility Corporations and Certain Lessees

Chapter 303 of the Texas Local Government Code (the “PFC Act”) authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071 to amend the PFC Act. H.B. 2071 significantly revised the PFC Act’s requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2024 tax year, the District has granted a 20% general residential homestead exemption. The total value for the general residential homestead exemption for the 2024 tax year is \$31,804,703.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

District and Taxpayer Remedies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2024 no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions..

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Outstanding Bonds and the Bonds but are available for any lawful purpose including payment of debt service on the Outstanding Bonds and the Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended March 31, 2021 through 2024 and an unaudited summary for the six-month period ended September 30, 2024, prepared by the Bookkeeper. Reference is made to "APPENDIX A" for further and more complete information.

	4/1/2024 to 9/30/2024 (a)	Fiscal Year Ended March 31			
		2024	2023	2022	2021
Revenues					
Property Taxes	\$ 24,126	\$ 676,266	\$ 643,739	\$ 604,681	\$ 509,911
Water Service	224,800	456,329	470,823	380,781	372,983
Wastewater Service	218,394	408,732	407,621	358,450	344,612
Regional Water Authority Fees	212,756	449,413	449,963	361,896	377,280
Penalty and Interest	24,559	55,598	54,862	44,606	30,911
Sales Tax Revenues	40,622	84,653	89,885	80,667	62,014
Miscellaneous Revenues	156,832	306,663	153,602	77,252	73,089
Total Revenues	\$ 902,089	\$ 2,437,654	\$ 2,270,495	\$ 1,908,333	\$ 1,770,800
Expenditures					
Professional Fees	\$ 89,107	\$ 207,704	\$ 208,596	\$ 165,828	\$ 138,358
Contracted Services	224,803	422,738	367,428	303,527	283,188
Purchased Water Service	322,417	664,350	681,206	515,054	457,184
Purchased Wastewater Service	185,213	408,284	333,918	273,652	250,859
Repairs and Maintenance	234,970	426,747	362,662	253,772	213,729
Other	51,311	154,593	142,378	113,334	100,613
Capital Outlay	358,076	59,657	-	-	-
Debt Service	-	-	-	-	-
Total Expenditures	\$ 1,465,897	\$ 2,344,073	\$ 2,096,188	\$ 1,625,167	\$ 1,443,931
Revenues Over (Under) Expenditures	\$ (563,808)	\$ 93,581	\$ 174,307	\$ 283,166	\$ 326,869
Other Sources (Interfund Transfer)	\$ -	\$ -	\$ -	\$ -	\$ 238,627
Fund Balance (Beginning of Year)	\$ 4,825,534	\$ 4,731,953	\$ 4,557,646	\$ 4,274,480	\$ 3,708,984
Fund Balance (End of Year)	\$ 4,261,726	\$ 4,825,534	\$ 4,731,953	\$ 4,557,646	\$ 4,274,480

(a) Unaudited. Provided by the District's bookkeeper.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the estimated debt service requirements for the Bonds at an assumed interest rate of 4.25%.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2025	\$ 546,259		\$ 374,531	\$ 374,531	\$ 920,790
2026	552,619	\$ 130,000	475,363	605,363	1,157,981
2027	550,369	135,000	469,731	604,731	1,155,100
2028	552,969	140,000	463,888	603,888	1,156,856
2029	550,419	145,000	457,831	602,831	1,153,250
2030	552,719	155,000	451,456	606,456	1,159,175
2031	549,869	160,000	444,763	604,763	1,154,631
2032	551,869	165,000	437,856	602,856	1,154,725
2033	553,669	175,000	430,631	605,631	1,159,300
2034	550,319	180,000	423,088	603,088	1,153,406
2035	551,819	190,000	415,225	605,225	1,157,044
2036	553,119	195,000	407,044	602,044	1,155,163
2037	549,269	205,000	398,544	603,544	1,152,813
2038	549,984	215,000	389,619	604,619	1,154,603
2039	550,209	220,000	380,375	600,375	1,150,584
2040	550,222	230,000	370,813	600,813	1,151,034
2041	549,719	240,000	360,825	600,825	1,150,544
2042	548,694	250,000	350,413	600,413	1,149,106
2043	547,444	260,000	339,575	599,575	1,147,019
2044	545,969	275,000	328,206	603,206	1,149,175
2045	543,941	285,000	316,306	601,306	1,145,247
2046	541,353	300,000	303,875	603,875	1,145,228
2047	-	880,000	278,800	1,158,800	1,158,800
2048	-	920,000	240,550	1,160,550	1,160,550
2049	-	960,000	200,600	1,160,600	1,160,600
2050	-	1,000,000	158,950	1,158,950	1,158,950
2051	-	1,040,000	115,600	1,155,600	1,155,600
2052	-	1,080,000	70,550	1,150,550	1,150,550
2053	-	1,120,000	23,800	1,143,800	1,143,800
Total	\$ 12,092,818	\$ 11,250,000	\$ 9,878,806	\$ 21,128,806	\$ 33,221,624

Maximum Annual Debt Service Requirement (2049) \$1,160,600
Average Annual Debt Service Requirements (2025-2053) \$1,145,573

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Potential Effects of Oil Price Declines 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 within the District. The District cannot predict the impact that negative conditions in the oil and gas industry may have on property values in the District.

Extreme Weather Events

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. According to Inframark, LLC (the “Operator”), the District’s water, sewer, and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, the District is not aware of any homes or other improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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.

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, and commercial property. 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 properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2024 Taxable Assessed Valuation of the District is \$296,341,435 (\$251,924,470 of certified value plus \$44,416,965 uncertified value). See “FINANCIAL STATEMENT.” After issuance of the Bonds, the maximum annual debt service requirement will be \$1,160,600 (2049) and the average annual debt service requirement will be \$1,145,573 (2025-2053). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.42 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of \$0.41 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See “DEBT SERVICE REQUIREMENTS.” Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2024 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See “TAX PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Tax Collection Limitations

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

Registered Owners Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Beneficial Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Beneficial 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 Beneficial Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, 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 the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$47,850,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and after the issuance of the Bonds, \$23,180,000 in principal amount of such unlimited tax bonds will remain authorized but unissued. The District also has \$40,187,947 in principal amount of unlimited tax refunding bonds authorized but unissued. Voters could authorize additional amounts. 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.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sanitary sewer and drainage purposes is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. 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 and Air Quality Regulations

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

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

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

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

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

The HGB Area is currently designated as a “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 Polyflouroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the Sackett decision 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

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

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

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

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 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 Initial Purchaser has made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT—General" and "—Strategic Partnership Agreement," "MANAGEMENT—Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). 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.

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

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

Not Qualified Tax-Exempt Obligations

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation’s “adjusted financial statement income” determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of _____% of the principal amount thereof which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

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

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

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.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, 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 in addition to the Financial Advisor.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” (as it relates to District facilities) has been provided by Quiddity Engineering, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Bob Leared Interests, Inc. and is included herein in reliance upon Bob Leared Interests, Inc. as an expert in collecting taxes.

Auditor: The financial statements of the District as of and for the fiscal year ended March 31, 2024, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, as stated in their report appearing herein. See “APPENDIX A.”

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by Municipal Accounts & Consulting, L.P. 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 OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the “end of the underwriting period,” (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the “SEC”)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT,” “TAX DATA,” “WATER AND SEWER OPERATIONS,” and “DEBT SERVICE REQUIREMENTS” (most of which information is contained in the District’s annual audit report) and in Appendix A. The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2025.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 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 SEC Rule 15c2-12 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 Initial Purchaser 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 not failed in any material respects to comply with its previously made continuing disclosure agreement in accordance with SEC Rule 15c2-12.

The Final audit for the District for fiscal year end 2023 was not available at the time of filing, but the unaudited final statements were filed within the required time in accordance with the District’s continuing disclosure undertakings. The final audit for fiscal year end 2023 was filed on October 31, 2024.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 149, as of the date shown on the cover page.

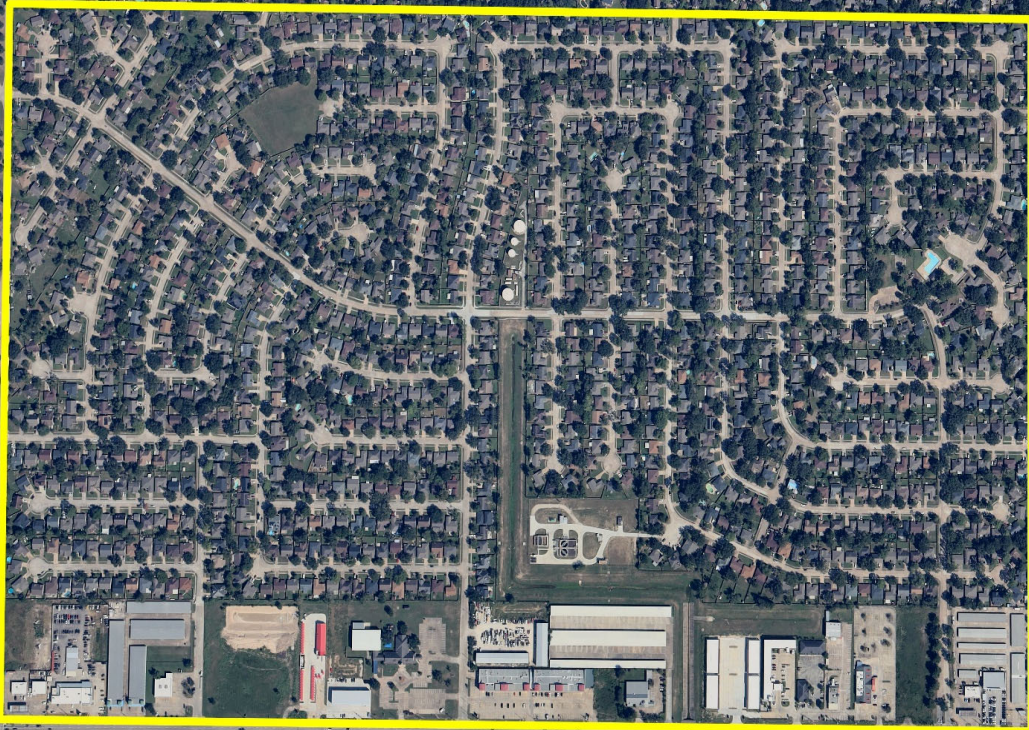
/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(Approximate boundaries as of November 2024)

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 149**



F.M. 529
SPENCER DR.

STATE HWY 6



PHOTOGRAPHS OF THE DISTRICT
(Taken November 2024)













APPENDIX A

District Audited Financial Statements for the fiscal year ended March 31, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 149
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. 149 (the "District") as of and for the year ended March 31, 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 the District as of March 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Harris County Municipal Utility District No. 149

Supplementary Information

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 15, 2024

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

Management’s discussion and analysis of the financial performance of Harris County Municipal Utility District No. 149 (the “District”) provides an overview of the District’s financial activities for the year ended March 31, 2024. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the General Fund and each Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$8,239,717 as of March 31, 2024. A portion of the District's net position reflects its net investment in capital assets which includes land and the water and wastewater facilities less any debt used to acquire those assets that is still outstanding.

The first table on the following page is a comparative analysis of government-wide changes in net position for the current and prior fiscal years.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 7,368,330	\$ 8,796,521	\$ (1,428,191)
Capital Assets (Net of Accumulated Depreciation)	11,736,588	11,467,371	269,217
Total Assets	\$ 19,104,918	\$ 20,263,892	\$ (1,158,974)
Bonds Payable	\$ 9,797,642	\$ 10,110,476	\$ 312,834
Other Liabilities	1,067,559	2,039,428	971,869
Total Liabilities	\$ 10,865,201	\$ 12,149,904	\$ 1,284,703
Net Position:			
Net Investment in Capital Assets	\$ 2,716,859	\$ 2,897,137	\$ (180,278)
Restricted	1,030,158	824,454	205,704
Unrestricted	4,492,700	4,392,397	100,303
Total Net Position	\$ 8,239,717	\$ 8,113,988	\$ 125,729

The following table provides a summary of the District's operations for the years ended March 31, 2024, and March 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,408,558	\$ 1,292,346	\$ 116,212
Charges for Services	1,761,089	1,767,279	(6,190)
Other Revenues	561,560	1,030,972	(469,412)
Total Revenues	\$ 3,731,207	\$ 4,090,597	\$ (359,390)
Expenses for Services	3,605,478	2,956,412	(649,066)
Change in Net Position	\$ 125,729	\$ 1,134,185	\$ (1,008,456)
Net Position, Beginning of Year	8,113,988	6,979,803	1,134,185
Net Position, End of Year	\$ 8,239,717	\$ 8,113,988	\$ 125,729

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2024, were \$6,650,946, a decrease of \$475,372 from the prior year. The General Fund fund balance increased by \$93,581, primarily due to service and tax revenues exceeding operating expenditures. The Debt Service Fund fund balance increased by \$193,376, primarily due to the structure of the District's outstanding debt. The Capital Projects Fund fund balance decreased by \$762,329, primarily due to capital costs paid from bond proceeds received in a prior fiscal year. Special Revenue Fund fund balances are revenue neutral; costs incurred are billed to the participants. Water facilities costs totaled \$900,893 and wastewater treatment facility costs totaled \$540,356 for the current fiscal year.

BUDGETARY HIGHLIGHTS

The Board of Directors amended the General Fund budget to increase expected property tax revenues. Actual revenues were \$150,035 more than budgeted revenues, actual expenditures were \$256,882 more than budgeted expenditures, and budgeted transfers were not actually made. This resulted in a negative budget to actual variance of \$356,847. See the budget to actual comparison for more information on variances to individual categories of account balances.

Revenue neutral Special Revenue Fund budgets are also presented as RSI in this report. See the budget to actual comparisons for more detailed information on variances by category of expenditure.

CAPITAL ASSETS

Capital assets as of March 31, 2024, total \$11,736,588 (net of accumulated depreciation) and include land, as well as the water and wastewater systems. The District completed the construction of its wastewater treatment plant during the current fiscal year.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 153,998	\$ 153,998	\$
Construction in Progress	59,657	8,912,669	(8,853,012)
Capital Assets Subject to Depreciation:			
Water System	5,089,199	5,089,199	
Wastewater System	14,590,756	7,351,104	7,239,652
Less Accumulated Depreciation	(8,157,022)	(10,039,599)	1,882,577
Total Net Capital Assets	\$ 11,736,588	\$ 11,467,371	\$ 269,217

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

LONG-TERM DEBT ACTIVITY

As of March 31, 2024, the District had total bond debt payable of \$9,795,000. The changes in the debt position of the District during the year ended March 31, 2024, are summarized as follows:

Bond Debt Payable, April 1, 2023	\$ 10,110,000
Less: Bond Principal Paid	<u>(315,000)</u>
Bond Debt Payable, March 31, 2024	<u>\$ 9,795,000</u>

The District has an underlying rating of “A-”. The Series 2010 bonds carry an “AA” rating by virtue of bond insurance issued by Assured Guaranty Municipal and the Series 2020 bonds carry an “AA” rating by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 149, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056-3078.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2024

ASSETS	<u>General Fund</u>	Special Revenue Funds	
		Water Facilities	Wastewater Treatment Facilities
Cash	\$ 179,098	\$ 163,634	\$ 48,006
Investments	4,717,218		
Receivables:			
Property Taxes	45,273		
Penalty and Interest on Delinquent Taxes			
Service Accounts	109,858		
Accrued Interest	8,358		
Builder Damages	7,166		
Due from Other Funds	3,861	60,143	55,543
Due from Other Governmental Units	20,204	59,222	28,403
Water Facilities Operating Advance	163,415		
Wastewater Treatment Facilities Operating Advance	69,185		
Land			
Construction in Progress			
Capital Assets (Net of Accumulated Depreciation)			
TOTAL ASSETS	\$ 5,323,636	\$ 282,999	\$ 131,952

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 94,561	\$ 171	\$ 485,470	\$	\$ 485,470
883,198	944,258	6,544,674		6,544,674
43,997		89,270		89,270
			15,705	15,705
		109,858		109,858
		8,358		8,358
		7,166		7,166
		119,547	(119,547)	
		107,829		107,829
		163,415	(163,415)	
		69,185	(69,185)	
			153,998	153,998
			59,657	59,657
			11,522,933	11,522,933
<u>\$ 1,021,756</u>	<u>\$ 944,429</u>	<u>\$ 7,704,772</u>	<u>\$ 11,400,146</u>	<u>\$ 19,104,918</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2024

	Special Revenue Funds		
	General Fund	Water Facilities	Wastewater Treatment Facilities
LIABILITIES			
Accounts Payable	\$ 182,534	\$ 63,683	\$ 43,923
Due to Developer			
Due to Other Funds	115,686	251	537
Due to Taxpayers			
Security Deposits	129,082		
Participant Advances		219,065	87,492
Unearned Tap Revenue	25,527		
Long-Term Liabilities:			
Bonds Payable, Due Within One Year			
Bonds Payable, Due After One Year			
TOTAL LIABILITIES	\$ 452,829	\$ 282,999	\$ 131,952
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 45,273	\$ -0-	\$ -0-
FUND BALANCES			
Nonspendable:			
Operating Advances	\$ 232,600	\$	\$
Restricted for Authorized Construction			
Restricted for Debt Service			
Committed For Construction	355,261		
Unassigned	4,237,673		
TOTAL FUND BALANCES	\$ 4,825,534	\$ - 0 -	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,323,636	\$ 282,999	\$ 131,952
NET POSITION			
Net Investment in Capital Assets			
Restricted for Debt Service			
Unrestricted			
TOTAL NET POSITION			

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 89,473	\$ 379,613	\$ 378,107	\$ 757,720
			77,043	77,043
3,073		119,547	(119,547)	
4,230		4,230		4,230
		129,082		129,082
		306,557	(232,600)	73,957
		25,527		25,527
			330,000	330,000
			9,467,642	9,467,642
<u>\$ 7,303</u>	<u>\$ 89,473</u>	<u>\$ 964,556</u>	<u>\$ 9,900,645</u>	<u>\$ 10,865,201</u>
<u>\$ 43,997</u>	<u>\$ -0-</u>	<u>\$ 89,270</u>	<u>\$ (89,270)</u>	<u>\$ -0-</u>
\$	\$	\$	\$	\$
	854,956	232,600	(232,600)	
		854,956	(854,956)	
970,456		970,456	(970,456)	
		355,261	(355,261)	
		4,237,673	(4,237,673)	
<u>\$ 970,456</u>	<u>\$ 854,956</u>	<u>\$ 6,650,946</u>	<u>\$ (6,650,946)</u>	<u>\$ - 0 -</u>
<u>\$ 1,021,756</u>	<u>\$ 944,429</u>	<u>\$ 7,704,772</u>		
			\$ 2,716,859	\$ 2,716,859
			1,030,158	1,030,158
			4,492,700	4,492,700
			<u>\$ 8,239,717</u>	<u>\$ 8,239,717</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2024**

Total Fund Balances - Governmental Funds	\$	6,650,946
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		11,736,588
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Deferred inflows of resources related to property tax revenues for the 2023 and prior tax levies and penalty and interest on delinquent taxes became part of recognized revenue in the governmental activities of the District.		104,975
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (77,043)	
Accrued Expenses	(378,107)	
Bonds Payable	<u>(9,797,642)</u>	<u>(10,252,792)</u>

Total Net Position - Governmental Activities	\$	<u>8,239,717</u>
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The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2024

	Special Revenue Funds		
	General Fund	Water Facilities	Wastewater Treatment Facilities
REVENUES			
Property Taxes	\$ 676,266	\$	\$
Water Service	456,329	900,863	
Wastewater Service	408,732		540,356
Water Authority Fees	449,413		
Penalty and Interest	55,598		
Sales Tax Revenues	84,653		
Participant Capital Contributions			
Investment and Miscellaneous Revenues	306,663	30	
TOTAL REVENUES	\$ 2,437,654	\$ 900,893	\$ 540,356
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 207,704	\$ 26,577	\$ 19,586
Contracted Services	422,738	42,154	65,869
Purchased Water Service	664,350		
Purchased Wastewater Service	408,284		
Utilities		41,265	63,355
Water Authority Costs		626,145	
Repairs and Maintenance	426,747	123,039	87,065
Depreciation			
Other	154,593	41,713	204,758
Capital Outlay	59,657		99,723
Loss on Disposal			
Debt Service:			
Bond Principal			
Bond Interest			
TOTAL EXPENDITURES/EXPENSES	\$ 2,344,073	\$ 900,893	\$ 540,356
NET CHANGE IN FUND BALANCES	\$ 93,581	\$	\$
CHANGE IN NET POSITION			
FUND BALANCES/NET POSITION - APRIL 1, 2023	4,731,953		
FUND BALANCES/NET POSITION - MARCH 31, 2024	\$ 4,825,534	\$ -0-	\$ -0-

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 716,917	\$	\$ 1,393,183	\$ 15,375	\$ 1,408,558
		1,357,192	(664,350)	692,842
		949,088	(408,284)	540,804
		449,413		449,413
18,757		74,355	3,675	78,030
		84,653		84,653
			54,804	54,804
<u>41,389</u>	<u>74,021</u>	<u>422,103</u>		<u>422,103</u>
<u>\$ 777,063</u>	<u>\$ 74,021</u>	<u>\$ 4,729,987</u>	<u>\$ (998,780)</u>	<u>\$ 3,731,207</u>
\$ 6,503	\$ 718	\$ 261,088	\$	\$ 261,088
28,743	1,246	560,750		560,750
		664,350	(664,350)	
		408,284	(408,284)	
		104,620		104,620
		626,145		626,145
		636,851		636,851
			571,208	571,208
9,752	199	411,015		411,015
	834,187	993,567	(993,567)	
			207,946	207,946
315,000		315,000	(315,000)	
<u>223,689</u>		<u>223,689</u>	<u>2,166</u>	<u>225,855</u>
<u>\$ 583,687</u>	<u>\$ 836,350</u>	<u>\$ 5,205,359</u>	<u>\$ (1,599,881)</u>	<u>\$ 3,605,478</u>
\$ 193,376	\$ (762,329)	\$ (475,372)	\$ 475,372	\$
			125,729	125,729
<u>777,080</u>	<u>1,617,285</u>	<u>7,126,318</u>	<u>987,670</u>	<u>8,113,988</u>
<u>\$ 970,456</u>	<u>\$ 854,956</u>	<u>\$ 6,650,946</u>	<u>\$ 1,588,771</u>	<u>\$ 8,239,717</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2024**

Net Change in Fund Balances - Governmental Funds	\$ (475,372)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	15,375
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	3,675
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(571,208)
--	-----------

Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and reduced by the disposal of assets.	840,425
---	---------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	315,000
---	---------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(2,166)
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Change in Net Position - Governmental Activities	\$ <u>125,729</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 149 of Harris County, Texas (the “District”) was created by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), on March 30, 1977, in accordance with the Texas Water Code, Chapter 54. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District participates in the operation of joint wastewater treatment facilities. Since the District exercises oversight responsibility for the facilities, the activity is accounted for in the Special Revenue Fund of the District (see Note 8). The District does not issue separate financial statements for this joint venture.

The District also participates in the operation of joint water facilities. Since the District exercises oversight responsibility for the facilities, the activity is accounted for in a Special Revenue Fund of the District (see Note 9). The District does not issue separate financial statements for this joint venture.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole and are combined with the governmental fund financial statements. The District is viewed as a special- purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has four governmental funds and considers each to be a major fund. The General Fund accounts for resources not required to be accounted for in another fund, customer service revenues, sales tax revenues, operating costs and general expenditures. The Special Revenue Funds accounts for financial resources collected and administered by the District for the jointly operated water facilities and wastewater treatment facilities. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The General Fund owed the Special Revenue Fund \$60,143 and \$55,543 for operating costs of the jointly owned water and wastewater treatment facilities, respectively. The Special Revenue Funds owed the General Fund \$788 for administrative costs and the Debt Service Fund owed the General Fund \$3,073 for tax collections.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Budgeting

Unappropriated budgets are adopted on an annual basis for the General Fund and each Special Revenue Fund. The budgets are prepared using the same method of accounting as for financial reporting and were not amended. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and each Special Revenue Fund present the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are included on the Balance Sheet and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District committed \$355,261 for the sanitary sewer rehabilitation project.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 3. LONG-TERM DEBT

As of March 31, 2024, the District had authorized but unissued bonds in the amount of \$34,430,000 for utility facilities and \$40,187,947 for refunding purposes. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

Bonds payable activity for the current fiscal year is summarized in the following table:

	April 1, 2023	Additions	Retirements	March 31, 2024
Bonds Payable	\$ 10,110,000	\$	\$ 315,000	\$ 9,795,000
Unamortized Discounts	(83,725)		(5,774)	(77,951)
Unamortized Premiums	84,201		3,608	80,593
Bonds Payable, Net	<u>\$ 10,110,476</u>	<u>\$ -0-</u>	<u>\$ 312,834</u>	<u>\$ 9,797,642</u>
		Amount Due Within One Year		\$ 330,000
		Amount Due After One Year		<u>9,467,642</u>
		Bonds Payable, Net		<u>\$ 9,797,642</u>

The District's bonds payable at March 31, 2024, consist of the following:

	Series 2010	Series 2020
Amount Outstanding - March 31, 2024	\$370,000	\$9,425,000
Interest Rates	4.10%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	October 1, 2024/2025	April 1, 2024/2046
Interest Payment Dates	October 1/ April 1	October 1/ April 1
Callable Dates	October 1, 2019*	April 1, 2025*

* On any date thereafter, callable at principal plus accrued interest, in whole or from time to time in part, at the option of the District. The Series 2010 term bonds maturing on October 1, 2025, are scheduled for mandatory redemption beginning October 1, 2024. Series 2020 term bonds maturing on April 1, 2034, April 1, 2042, April 1, 2044 and April 1, 2046, are scheduled for mandatory redemption beginning April 1, 2033, April 1, 2041, April 1, 2043 and April 1, 2045, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2024, the debt service requirements on the outstanding bonds were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 330,000	\$ 212,198	\$ 542,198
2026	550,000	200,114	750,114
2027	365,000	189,019	554,019
2028	375,000	181,719	556,719
2029	380,000	174,218	554,218
2030-2034	2,025,000	753,694	2,778,694
2035-2039	2,235,000	542,325	2,777,325
2040-2044	2,475,000	294,594	2,769,594
2045-2046	1,060,000	37,881	1,097,881
	<u>\$ 9,795,000</u>	<u>\$ 2,585,762</u>	<u>\$ 12,380,762</u>

During the year ended March 31, 2024, the District levied an ad valorem debt service tax rate of \$0.26 per \$100 of assessed valuation, which resulted in a tax levy of \$733,098 on the adjusted taxable valuation of \$281,960,661 for the 2023 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government.

The bond order states that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$1,340,470 and the bank balance was \$1,465,880. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits at March 31, 2024, are summarized in the following table:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 179,098	\$ 855,000	\$ 1,034,098
SPECIAL REVENUE FUNDS	211,640		211,640
DEBT SERVICE FUND	94,561		94,561
CAPITAL PROJECTS FUND	171		171
TOTAL DEPOSITS	\$ 485,470	\$ 855,000	\$ 1,340,470

Investments

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

The District records its investments in certificates of deposit at acquisition cost.

As of March 31, 2024, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 3,862,218	\$ 3,862,218
Certificates of Deposit	855,000	855,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	883,198	883,198
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	944,258	944,258
TOTAL INVESTMENTS	\$ 6,544,674	\$ 6,544,674

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment in Texas CLASS was rated AAAM by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Special Revenue Funds are restricted for the cost of operations of the joint water facilities and joint wastewater treatment facilities. All cash and investments of the Debt Service Fund are restricted for the payment of debt and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

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

	April 1, 2023	Increases	Decreases	March 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 153,998	\$	\$	\$ 153,998
Construction in Progress	<u>8,912,669</u>	<u>1,048,371</u>	<u>9,901,383</u>	<u>59,657</u>
Total Capital Assets Not Being Depreciated	<u>\$ 9,066,667</u>	<u>\$ 1,048,371</u>	<u>\$ 9,901,383</u>	<u>\$ 213,655</u>
Capital Assets Subject to Depreciation				
Water System	\$ 5,089,199	\$	\$	\$ 5,089,199
Wastewater System	<u>7,351,104</u>	<u>9,901,383</u>	<u>2,661,731</u>	<u>14,590,756</u>
Total Capital Assets Subject to Depreciation	<u>\$ 12,440,303</u>	<u>\$ 9,901,383</u>	<u>\$ 2,661,731</u>	<u>\$ 19,679,955</u>
Accumulated Depreciation				
Water System	\$ 4,413,933	\$ 88,275	\$	\$ 4,502,208
Wastewater System	<u>5,625,666</u>	<u>482,933</u>	<u>2,453,785</u>	<u>3,654,814</u>
Total Accumulated Depreciation	<u>\$ 10,039,599</u>	<u>\$ 571,208</u>	<u>\$ 2,453,785</u>	<u>\$ 8,157,022</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,400,704</u>	<u>\$ 9,330,175</u>	<u>\$ 207,946</u>	<u>\$ 11,522,933</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,467,371</u>	<u>\$ 10,378,546</u>	<u>\$ 10,109,329</u>	<u>\$ 11,736,588</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 7. MAINTENANCE TAX

At an election held August 13, 1977, voters authorized a maintenance tax not to exceed \$0.25 per \$100 valuation. At an election held on November 6, 2018, voters authorized an additional maintenance tax not to exceed \$0.25 per \$100 valuation for a total authorization not to exceed \$0.50 per \$100 valuation on all property within the District subject to taxation. During the year ended March 31, 2024, the District levied an ad valorem maintenance tax rate of \$0.245 per \$100 of assessed valuation, which resulted in a tax levy of \$690,804 on the adjusted taxable valuation of \$281,960,661 for the 2023 tax year.

NOTE 8. WASTE DISPOSAL AGREEMENT

The District owns and operates a wastewater treatment plant with 450,000 gallons per day (gpd) capacity (the “New Plant”), which was constructed to replace the present wastewater treatment plant with 645,000 gpd capacity. The New Plant was declared substantially complete by the District’s engineer on November 30, 2023. Pursuant to the agreement, upon completion of the New Plant, the District owns 84.44% (380,000 gpd) and District No. 257 owns 15.56% (70,000 gpd) of the treatment capacity of the New Plant.

The District holds title to and operates the wastewater treatment facilities for the benefit of the participants. Fixed operating costs are shared based on the pro-rata share of capacity owned and variable costs are shared based on the pro-rata share of total water delivered and metered to customers. In addition, each participant pays an administrative charge of five percent of its portion of the monthly operating costs. The wastewater treatment facilities operations are accounted for in a Special Revenue Fund of the District. The District’s share of joint wastewater treatment facilities costs for the current fiscal year was \$408,284.

As of March 31, 2024, the following balances have been recorded:

	Harris County Municipal Utility District No. 149	Harris County Municipal Utility District No. 257	Total
Balances Receivable from Participants	\$ <u>55,543</u>	\$ <u>28,403</u>	\$ <u>83,946</u>
Reserve for Operations	\$ <u>69,185</u>	\$ <u>18,307</u>	\$ <u>87,492</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 8. WASTE DISPOSAL AGREEMENT (Continued)

As of the report date, the District and District No. 257 were in discussions regarding how to address billing errors related to this agreement. The billing errors also relate to water supplied by the District to District No. 257 (see Note 9). On June 23, 2023, District No. 257 added the District as a defendant in its lawsuit against Si Environmental LLC (Cause No. 2022-79830; 61st District Court, Harris County, Texas), in which District No. 257 seeks recovery of at least \$1,286,583, exclusive of interest, professional fees, attorneys' fees, and pre-judgment and post-judgment interest, for which District No. 257 also seeks recovery. The outcome of this lawsuit and the ultimate amount to be paid, if any, by the District is unknown at this time.

However, the agreement specifies a two-year "look back" period for billing reconciliations. In accordance with that, the District offered District No. 257 a settlement amount of \$378,107, which was not accepted. One of the District's legal positions is that District No. 257's claims against the District should be limited to that two-year look back period, or approximately \$387,107. In contrast, District No. 257 alleges that it should be permitted to recover its full alleged overpayment of \$1,286,583, plus attorneys' fees, based on quasi-contractual legal theories of Money Had and Received, Restitution and Unjust Enrichment. Regardless, District No. 257's alleged damages would be reduced by its recovery against its operator Si Environmental, which has taken the position that it is factually responsible for the billing error at issue. Again, the outcome of the lawsuit and the ultimate amount to be paid, if any, by the District is unknown at this time.

NOTE 9. WATER SUPPLY AGREEMENT

On October 15, 2018, the District entered into an Amended and Restated Water Supply Agreement with Harris County Municipal Utility District No. 257. Said agreement has a term of 60 years and acknowledged that the District previously sold a total of 321 equivalent connections in water plant capacity to District No. 257. The participants' shares of capacity in the water facilities are 83.95% for the District and 16.05% for District No. 257. The District holds title to the facilities and operates them for the benefit of the participants. Fixed operating costs are shared based on the pro rata share of capacity owned and variable costs are shared based on the pro rata share of total water delivered and metered to customers. In addition, each participant pays an administrative charge of five percent of its portion of the monthly operating costs. The water facilities operations are accounted for in a Special Revenue Fund of the District. The District's share of joint water facilities costs totaled \$664,350 during the current fiscal year.

As of the report date, the District and District No. 257 were in discussions regarding how to address billing errors related to this agreement. The billing errors also relate to the waste disposal agreement. See Note 8 for further information.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 9. WATER SUPPLY AGREEMENT (Continued)

As of March 31, 2024, the following balances have been recorded:

	Harris County Municipal Utility District No. 149	Harris County Municipal Utility District No. 257	Total
Balances Receivable from Participants	\$ <u>60,143</u>	\$ <u>59,222</u>	\$ <u>119,365</u>
Reserve for Operations	\$ <u>163,415</u>	\$ <u>55,650</u>	\$ <u>219,065</u>

NOTE 10. RISK MANAGEMENT

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

NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the seventy-seventh Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivision.

The Authority charges a fee which enables it to fulfill its purpose and regulatory functions. The current pumpage fee charged by the Authority is \$3.95 per 1,000 gallons of water pumped from each well. The District and District No. 257 also pay a fee for purchased surface water of \$4.35 per 1,000 gallons of water purchased from the Authority. The District and District No. 257 jointly paid \$626,145 to the Authority for pumpage fees and purchased surface water in the current fiscal year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 14, 2009, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provides that the City will annex a tract of land defined as the “Subject Tract” within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District. The City imposes a Sales and Use Tax within the boundaries of the Subject Tract and pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Subject Tract within 30 days of the City receiving the funds from the State Comptroller’s office. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement. During the current year, the District recorded revenue of \$84,653.

NOTE 13. UNREIMBURSED COSTS

The District has entered into development financing agreements with Developers within the District. The District has recorded a liability of \$77,043 for construction, engineering and related costs for certain sanitary sewer and storm sewer extensions and detention facilities. This amount was unchanged from the previous fiscal year.

NOTE 14. EMERGENCY WATER SUPPLY CONTRACT

On September 15, 1986, the District approved an Emergency Water Supply Agreement with Langham Creek Utility District (“Langham Creek”). The agreement was amended on November 10, 2000. Under the terms of the agreement, each district has constructed 12” water lines from its respective water system to the point of interconnect. Langham Creek constructed the interconnect facilities and locking mechanism at the point of interconnect. Each district will be responsible for 50% of the maintenance costs of the interconnect facilities. The agreement provides for the supply of water on an emergency basis at a price of \$0.50 per 1,000 gallons. If the supplying district has converted to use of surface water in whole or in part, or if additional fees are imposed upon the supplying district by a regional water authority, the rate per 1,000 gallons will be the actual cost to the supplying district to purchase surface water, or the above rate shall be increased by the amount of fee imposed by a regional water authority.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES			
Property Taxes	\$ 636,530	\$ 676,266	\$ 39,736
Water Service	472,300	456,329	(15,971)
Wastewater Service	409,900	408,732	(1,168)
Water Authority Fees	453,900	449,413	(4,487)
Penalty and Interest	56,000	55,598	(402)
Sales Tax Revenues	88,800	84,653	(4,147)
Investment and Miscellaneous Revenues	<u>170,189</u>	<u>306,663</u>	<u>136,474</u>
TOTAL REVENUES	<u>\$ 2,287,619</u>	<u>\$ 2,437,654</u>	<u>\$ 150,035</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 169,400	\$ 207,704	\$ (38,304)
Contracted Services	376,300	422,738	(46,438)
Purchased Water Service	653,662	664,350	(10,688)
Purchased Wastewater Service	276,740	408,284	(131,544)
Repairs and Maintenance	235,615	426,747	(191,132)
Other	146,674	154,593	(7,919)
Capital Outlay	<u>228,800</u>	<u>59,657</u>	<u>169,143</u>
TOTAL EXPENDITURES	<u>\$ 2,087,191</u>	<u>\$ 2,344,073</u>	<u>\$ (256,882)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 200,428</u>	<u>\$ 93,581</u>	<u>\$ (106,847)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>\$ 250,000</u>	<u>\$ -0-</u>	<u>\$ (250,000)</u>
NET CHANGE IN FUND BALANCE	\$ 450,428	\$ 93,581	\$ (356,847)
FUND BALANCE - APRIL 1, 2023	<u>4,731,953</u>	<u>4,731,953</u>	<u>_____</u>
FUND BALANCE - MARCH 31, 2024	<u>\$ 5,182,381</u>	<u>\$ 4,825,534</u>	<u>\$ (356,847)</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND – WATER FACILITIES
FOR THE YEAR ENDED MARCH 31, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Water Service	\$ 876,263	\$ 900,863	\$ 24,600
Investment and Miscellaneous Revenues	<u>80</u>	<u>30</u>	<u>(50)</u>
TOTAL REVENUES	<u>\$ 876,343</u>	<u>\$ 900,893</u>	<u>\$ 24,550</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 39,000	\$ 26,577	\$ 12,423
Contracted Services	40,200	42,154	(1,954)
Utilities	44,500	41,265	3,235
Water Authority Costs	634,400	626,145	8,255
Repairs, Maintenance, Capital Outlay	86,100	123,039	(36,939)
Other	<u>32,143</u>	<u>41,713</u>	<u>(9,570)</u>
TOTAL EXPENDITURES	<u>\$ 876,343</u>	<u>\$ 900,893</u>	<u>\$ (24,550)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
FUND BALANCE - APRIL 1, 2023	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - MARCH 31, 2024	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND – WASTEWATER TREATMENT FACILITIES
FOR THE YEAR ENDED MARCH 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Wastewater Service	\$ 349,967	\$ 540,356	\$ 190,389
Investment and Miscellaneous Revenues	500		(500)
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 350,467</u>	<u>\$ 540,356</u>	<u>\$ 189,889</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 20,200	\$ 19,586	\$ 614
Contracted Services	67,000	65,869	1,131
Utilities	75,200	63,355	11,845
Repairs, Maintenance, Capital Outlay	56,000	186,788	(130,788)
Other	132,067	204,758	(72,691)
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 350,467</u>	<u>\$ 540,356</u>	<u>\$ (189,889)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
FUND BALANCE - APRIL 1, 2023	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - MARCH 31, 2024	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2024

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024**

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

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

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order effective January 30, 2024.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 25.00	2,000	N	\$ 1.10 \$ 1.30 \$ 1.70 \$ 2.25	2,001 to 5,000 5,001 to 10,000 10,001 to 20,000 20,001 and up
WASTEWATER:	\$ 29.17		Y		
SURCHARGE: Regional Water Authority Fees	\$ 4.79 per 1,000 gallons				

District employs winter averaging for wastewater usage?
 X
 Yes No

Total monthly charges per 10,000 gallons usage: Water: \$34.80 Wastewater: \$29.17 Surcharge: \$47.90 Total: \$111.87

See accompanying independent auditor’s report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>1,173</u>	<u>1,158</u>	x 1.0	<u>1,158</u>
1"	<u>29</u>	<u>22</u>	x 2.5	<u>55</u>
1½"	<u>14</u>	<u>12</u>	x 5.0	<u>60</u>
2"	<u>11</u>	<u>11</u>	x 8.0	<u>88</u>
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	<u>1</u>	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u><u>1,228</u></u>	<u><u>1,203</u></u>		<u><u>1,361</u></u>
Total Wastewater Connections	<u><u>1,217</u></u>	<u><u>1,194</u></u>	x 1.0	<u><u>1,194</u></u>

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

Gallons pumped into system:	37,417,000	Water Accountability Ratio: 90.3% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	94,769,000	
Gallons sold:	37,989,000	To: <u>Harris County Municipal Utility District No. 257</u>
Gallons purchased:	109,561,000	From: <u>West Harris County Regional Water Authority</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2024

PROFESSIONAL FEES:	
Auditing	\$ 19,000
Engineering	81,153
Legal	<u>107,551</u>
TOTAL PROFESSIONAL FEES	<u>\$ 207,704</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 664,350
Purchased Wastewater Service	<u>408,284</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,072,634</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 74,244
Operations and Billing	73,193
Security	24,000
Solid Waste Disposal	<u>251,301</u>
TOTAL CONTRACTED SERVICES	<u>\$ 422,738</u>
REPAIRS AND MAINTENANCE	<u>\$ 426,747</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 30,462
Insurance	7,729
Office Supplies and Postage	21,560
Travel and Meetings	14,738
Other	<u>19,317</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 93,806</u>
CAPITAL OUTLAY	<u>\$ 59,657</u>
TAP CONNECTIONS	<u>\$ 9,015</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 19,069
Permit Fees	2,893
Inspection and Reconnection Fees	25,575
Regulatory Assessment	<u>4,235</u>
TOTAL OTHER EXPENDITURES	<u>\$ 51,772</u>
TOTAL EXPENDITURES	<u><u>\$ 2,344,073</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
INVESTMENTS
MARCH 31, 2024**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 2,829,677	\$
Texas CLASS	XXXX0003	Varies	Daily	1,032,541	
Certificate of Deposit	XXXX3441	5.50%	11/02/24	235,000	814
Certificate of Deposit	XXXX1413	5.50%	09/28/24	235,000	6,586
Certificate of Deposit	XXXX8086	5.40%	10/08/24	235,000	800
Certificate of Deposit	XXXX6978	5.50%	09/20/24	150,000	158
TOTAL GENERAL FUND				<u>\$ 4,717,218</u>	<u>\$ 8,358</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	<u>\$ 883,198</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0005	Varies	Daily	\$ 855,119	\$
Texas CLASS	XXXX0006	Varies	Daily	89,139	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 944,258</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 6,544,674</u>	<u>\$ 8,358</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2024**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2023	\$	38,551		\$ 35,344
Adjustments to Beginning				
Balance		<u>(7,816)</u>	\$ 30,735	<u>(7,528)</u> \$ 27,816
Original 2023 Tax Levy	\$	636,599		\$ 675,574
Adjustment to 2023 Tax Levy		<u>54,205</u>	<u>690,804</u>	<u>57,524</u> <u>733,098</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 721,539		\$ 760,914
TAX COLLECTIONS:				
Prior Years	\$	15,526		\$ 15,724
Current Year		<u>660,740</u>	<u>676,266</u>	<u>701,193</u> <u>716,917</u>
TAXES RECEIVABLE -				
MARCH 31, 2024		<u>\$ 45,273</u>		<u>\$ 43,997</u>
TAXES RECEIVABLE BY				
YEAR:				
2023		\$ 30,064		\$ 31,905
2022		5,033		5,133
2021		2,499		2,355
2020		1,500		1,684
2019		3,142		741
2018		1,109		466
2017		465		196
2016		431		198
2015 and prior		<u>1,030</u>		<u>1,319</u>
TOTAL		<u>\$ 45,273</u>		<u>\$ 43,997</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2024**

	2023	2022	2021	2020
PROPERTY VALUATIONS:				
Land	\$ 90,788,736	\$ 80,806,305	\$ 80,566,982	\$ 68,639,809
Improvements	241,986,219	226,525,020	182,451,778	164,684,156
Personal Property	9,273,568	8,811,198	7,735,319	7,154,141
Exemptions	(60,087,862)	(56,585,757)	(40,036,608)	(30,847,662)
TOTAL PROPERTY VALUATIONS	\$ 281,960,661	\$ 259,556,766	\$ 230,717,471	\$ 209,630,444
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.260	\$ 0.255	\$ 0.245	\$ 0.275
Maintenance	0.245	0.250	0.260	0.245
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.505	\$ 0.505	\$ 0.505	\$ 0.520
ADJUSTED TAX LEVY*	\$ 1,423,902	\$ 1,310,762	\$ 1,165,123	\$ 1,090,079
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>95.65 %</u>	<u>99.22 %</u>	<u>99.58 %</u>	<u>99.71 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters August 13, 1977. An additional \$0.25 per \$100 of assessed valuation was approved by voters on November 6, 2018, for a total maximum tax rate of \$0.50 per \$100 of assessed valuation.

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending March 31	Principal Due October 1	Interest Due October 1/ April 1	Total
2025	\$ 180,000	\$ 11,480	\$ 191,480
2026	190,000	3,895	193,895
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	\$ 370,000	\$ 15,375	\$ 385,375

The District records the amount due April 1 as an expenditure in the prior fiscal year (see Note 2). This schedule shows the amount due within the fiscal years, assuming this practice will continue in the future.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

S E R I E S - 2 0 2 0

Due During Fiscal Years Ending March 31	Principal Due April 1	Interest Due October 1/ April 1	Total
2025	\$ 150,000	\$ 200,718	\$ 350,718
2026	360,000	196,219	556,219
2027	365,000	189,019	554,019
2028	375,000	181,719	556,719
2029	380,000	174,218	554,218
2030	390,000	166,619	556,619
2031	395,000	158,819	553,819
2032	405,000	150,919	555,919
2033	415,000	142,819	557,819
2034	420,000	134,518	554,518
2035	430,000	126,119	556,119
2036	440,000	117,519	557,519
2037	445,000	108,719	553,719
2038	455,000	99,818	554,818
2039	465,000	90,150	555,150
2040	475,000	80,269	555,269
2041	485,000	70,175	555,175
2042	495,000	59,263	554,263
2043	505,000	48,124	553,124
2044	515,000	36,763	551,763
2045	525,000	25,175	550,175
2046	535,000	12,706	547,706
	<u>\$ 9,425,000</u>	<u>\$ 2,570,387</u>	<u>\$ 11,995,387</u>

The District records the amount due April 1 as an expenditure in the prior fiscal year (see Note 2). This schedule shows the amount due within the fiscal years, assuming this practice will continue in the future.

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 330,000	\$ 212,198	\$ 542,198
2026	550,000	200,114	750,114
2027	365,000	189,019	554,019
2028	375,000	181,719	556,719
2029	380,000	174,218	554,218
2030	390,000	166,619	556,619
2031	395,000	158,819	553,819
2032	405,000	150,919	555,919
2033	415,000	142,819	557,819
2034	420,000	134,518	554,518
2035	430,000	126,119	556,119
2036	440,000	117,519	557,519
2037	445,000	108,719	553,719
2038	455,000	99,818	554,818
2039	465,000	90,150	555,150
2040	475,000	80,269	555,269
2041	485,000	70,175	555,175
2042	495,000	59,263	554,263
2043	505,000	48,124	553,124
2044	515,000	36,763	551,763
2045	525,000	25,175	550,175
2046	535,000	12,706	547,706
	<u>\$ 9,795,000</u>	<u>\$ 2,585,762</u>	<u>\$ 12,380,762</u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2024**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2023
Harris County Municipal Utility District No. 149 Unlimited Tax Bonds - Series 2010	\$ 1,365,000	\$ 535,000
Harris County Municipal Utility District No. 149 Unlimited Tax Bonds - Series 2020	<u>10,000,000</u>	<u>9,575,000</u>
TOTAL	<u>\$ 11,365,000</u>	<u>\$ 10,110,000</u>

Bond Authority:	Tax Bonds
Amount Authorized by Voters	\$ 47,850,000
Amount Issued	<u>13,420,000</u>
Remaining to be Issued	<u>\$ 34,430,000</u>

Debt Service Fund cash and investment balances as of March 31, 2024: \$ 977,759

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 562,762

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

Note: The District has unused refunding bond authorization of \$40,187,947.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2024</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 165,000	\$ 18,470	\$ 370,000	Wells Fargo Bank N.A. Houston, TX
	150,000	205,219	9,425,000	The Bank of New York Mellon Trust Co., N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 315,000</u>	<u>\$ 223,689</u>	<u>\$ 9,795,000</u>	

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 676,266	\$ 643,739	\$ 604,681
Water Service	905,742	920,786	742,677
Wastewater Service	408,732	407,621	358,450
Penalty and Interest	55,598	54,862	44,606
Sales Tax Revenues	84,653	89,885	80,667
Investment and Miscellaneous Revenues	306,663	153,602	77,252
TOTAL REVENUES	\$ 2,437,654	\$ 2,270,495	\$ 1,908,333
EXPENDITURES			
Professional Fees	\$ 207,704	\$ 208,596	\$ 165,828
Contracted Services	422,738	367,428	303,527
Purchased Services	1,072,634	1,015,124	788,706
Repairs and Maintenance	426,747	362,662	253,772
Other	154,593	142,378	113,334
Capital Outlay	59,657		
TOTAL EXPENDITURES	\$ 2,344,073	\$ 2,096,188	\$ 1,625,167
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 93,581	\$ 174,307	\$ 283,166
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 93,581	\$ 174,307	\$ 283,166
BEGINNING FUND BALANCE	4,731,953	4,557,646	4,274,480
ENDING FUND BALANCE	\$ 4,825,534	\$ 4,731,953	\$ 4,557,646

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2021</u>	<u>2020</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 509,911	\$ 870,981	27.7 %	28.3 %	31.7 %	28.8 %	40.2 %
750,263	708,779	37.1	40.5	38.9	42.4	32.8
344,612	340,766	16.8	18.0	18.8	19.5	15.7
30,911	47,645	2.3	2.4	2.3	1.7	2.2
62,014	88,387	3.5	4.0	4.2	3.5	4.1
<u>73,089</u>	<u>108,594</u>	<u>12.6</u>	<u>6.8</u>	<u>4.1</u>	<u>4.1</u>	<u>5.0</u>
<u>\$ 1,770,800</u>	<u>\$ 2,165,152</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 138,358	\$ 191,782	8.5 %	9.2 %	8.7 %	7.8 %	8.9 %
283,188	280,598	17.3	16.2	15.9	16.0	13.0
708,043	602,474	44.0	44.7	41.3	40.0	27.8
213,729	164,607	17.5	16.0	13.3	12.1	7.6
100,613	142,571	6.4	6.2	6.0	5.6	6.6
<u>186,598</u>	<u>186,598</u>	<u>2.5</u>				<u>8.6</u>
<u>\$ 1,443,931</u>	<u>\$ 1,568,630</u>	<u>96.2 %</u>	<u>92.3 %</u>	<u>85.2 %</u>	<u>81.5 %</u>	<u>72.5 %</u>
<u>\$ 326,869</u>	<u>\$ 596,522</u>	<u>3.8 %</u>	<u>7.7 %</u>	<u>14.8 %</u>	<u>18.5 %</u>	<u>27.5 %</u>
<u>\$ 238,627</u>	<u>\$ - 0 -</u>					
\$ 565,496	\$ 596,522					
<u>3,708,984</u>	<u>3,112,462</u>					
<u>\$ 4,274,480</u>	<u>\$ 3,708,984</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 716,917	\$ 654,558	\$ 564,794
Penalty and Interest	18,757	22,479	36,965
Investment and Miscellaneous Revenues	<u>41,389</u>	<u>21,838</u>	<u>1,404</u>
TOTAL REVENUES	<u>\$ 777,063</u>	<u>\$ 698,875</u>	<u>\$ 603,163</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 43,748	\$ 44,399	\$ 48,546
Debt Service Principal	315,000	310,000	300,000
Debt Service Interest and Fees	<u>224,939</u>	<u>235,939</u>	<u>246,451</u>
TOTAL EXPENDITURES	<u>\$ 583,687</u>	<u>\$ 590,338</u>	<u>\$ 594,997</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 193,376</u>	<u>\$ 108,537</u>	<u>\$ 8,166</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-term Debt	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 193,376	\$ 108,537	\$ 8,166
BEGINNING FUND BALANCE	<u>777,080</u>	<u>668,543</u>	<u>660,377</u>
ENDING FUND BALANCE	<u>\$ 970,456</u>	<u>\$ 777,080</u>	<u>\$ 668,543</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,203</u>	<u>1,206</u>	<u>1,206</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,194</u>	<u>1,197</u>	<u>1,196</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 553,498	\$ 209,054	92.3 %	93.7 %	93.7 %	96.5 %	92.1 %
13,739	12,993	2.4	3.2	6.1	2.4	5.7
6,156	4,964	5.3	3.1	0.2	1.1	2.2
<u>\$ 573,393</u>	<u>\$ 227,011</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 37,874	\$ 34,292	5.6 %	6.3 %	8.0 %	6.6 %	15.1 %
265,000	135,000	40.5	44.4	49.7	46.2	59.4
167,701	42,245	29.0	33.8	40.9	29.3	18.6
<u>\$ 470,575</u>	<u>\$ 211,537</u>	<u>75.1 %</u>	<u>84.5 %</u>	<u>98.6 %</u>	<u>82.1 %</u>	<u>93.1 %</u>
\$ 102,818	\$ 15,474	24.9 %	15.5 %	1.4 %	17.9 %	6.9 %
\$ 217,969	\$ - 0 -					
\$ 320,787	\$ 15,474					
339,590	324,116					
<u>\$ 660,377</u>	<u>\$ 339,590</u>					
1,209	1,205					
<u>1,199</u>	<u>1,196</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2024**

District Mailing Address - Harris County Municipal Utility District No. 149
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard, Suite 2400
Houston, TX 77056-3078

District Telephone Number - (713) 623-4531

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>March 31, 2024</u>	Expense Reimbursements for the year ended <u>March 31, 2024</u>	<u>Title</u>
John R. VanDyke	05/24 05/28 (Elected)	\$ 6,133	\$ 1,823	President
Stefanie Cline	05/24 05/28 (Elected)	\$ 4,436	\$ 377	Vice President
Margaret Petry	05/22 05/26 (Elected)	\$ 6,204	\$ 2,695	Secretary
Terrence Stephens	05/22 05/26 (Elected)	\$ 5,762	\$ 2,448	Assistant Secretary
Randall Kallus	05/22 05/26 (Elected)	\$ 5,762	\$ 2,428	Assistant Secretary

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

Submission date of most recent District Registration Form: July 15, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution (TWC Section 49.060) on July 17, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 149
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2024 District</u>	<u>Fees for the year ended March 31, 2024 Water Facilities</u>	<u>Fees for the year ended March 31, 2024 Wastewater Treatment Facilities</u>	<u>Title</u>
Schwartz, Page & Harding, LLP	03/31/77	\$ 114,695	\$ 4,709	\$ 240	General and Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/21/06	\$ 19,750	\$ 5,500	\$ 5,500	Auditor/Other Services
Municipal Accounts & Consulting LP	05/12/03	\$ 81,778	\$ 17,166	\$ 18,006	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	04/15/13	\$ 6,503	\$ -0-	\$ -0-	Delinquent Tax/Other Attorney
Quiddity Engineering, LLC	03/30/87	\$ 371,659	\$ 16,368	\$ 13,846	Engineer
Masterson Advisors, LLC	05/16/18	\$ -0-	\$ -0-	\$ -0-	Financial Advisor
Inframark, LLC	03/31/77	\$ 509,310	\$ 160,541	\$ 391,384	Operator
BLICO, Inc.	08/16/77	\$ 29,443	\$ -0-	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

