

OFFICIAL STATEMENT DATED JULY 7, 2022

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

The Bonds are **not** "qualified tax-exempt obligations" for financial institutions.

**NEW ISSUE - Book-Entry Only**

**Ratings: S&P Global Ratings (BAM Insured) .... "AA" (stable outlook)  
Moody's Investors Service (Underlying) ... "Baa2" (stable outlook)  
See "BOND INSURANCE" and "RATINGS" herein**

**\$13,000,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 504  
(A Political Subdivision of the State of Texas, located within Harris County, Texas)  
UNLIMITED TAX BONDS, SERIES 2022**

**Dated: August 1, 2022**

**Due: September 1, as shown**

**Interest Accrual Date: Date of Delivery**

**on inside cover**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected August 4, 2022) (the "Date of Delivery"), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds, including the Term Bonds, maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 504 (the "District"), as a whole or from time to time in part, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer"). See "BOND INSURANCE" herein.



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**See Maturity Schedule on the inside cover**

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The Bonds constitute the seventh series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "Utility System") to serve the District. Voters in the District authorized a total of \$247,320,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System and refunding purposes, \$131,380,000 principal amount of unlimited tax bonds for road facilities and refunding purposes (the "Road System"), and \$40,700,000 principal amount of unlimited tax bonds for recreational facilities and refunding purposes. Following the issuance of the Bonds, \$175,380,000 principal amount of unlimited tax bonds for the acquisition or construction of the Utility System and refunding purposes, \$122,480,000 principal amount of unlimited tax bonds for the Road System and refunding purposes, and \$40,700,000 principal amount of unlimited tax bonds for recreational facilities and refunding purposes authorized by the District's voters will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS - Source of Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Investment in the Bonds is subject to special investment considerations as 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 Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about August 4, 2022.

## MATURITY SCHEDULE

CUSIP Prefix (a): 41423R

\$3,350,000 Serial Bonds

<u>Maturity (Due September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2024	\$270,000	5.75%	2.25%	JE4
2025	280,000	5.75	2.40	JF1
2026	290,000	5.75	2.55	JG9
2027	300,000	5.75	2.70	JH7
2028(c)	315,000	5.25	2.80	JJ3
2029(c)	325,000	4.00	3.00	JK0
2030(c)	340,000	4.00	3.15	JL8
****	****			
2033(c)	375,000	3.50	3.70	JP9
****	****			
2036(c)	420,000	4.00	3.85	JS3
2037(c)	435,000	4.00	3.90	JT1

**\$710,000 Term Bonds, Due September 1, 2032(c)(d), CUSIP Suffix JN4 (a), Interest Rate 3.25% (Yield 3.60%)(b)**  
**\$795,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix JR5 (a), Interest Rate 3.75% (Yield 3.90%)(b)**  
**\$925,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix JV6 (a), Interest Rate 4.00% (Yield 4.05%)(b)**  
**\$2,060,000 Term Bonds, Due September 1, 2043(c)(d), CUSIP Suffix JZ7 (a), Interest Rate 4.00% (Yield 4.10%)(b)**  
**\$2,390,000 Term Bonds, Due September 1, 2047(c)(d), CUSIP Suffix KD4 (a), Interest Rate 4.00% (Yield 4.15%)(b)**  
**\$2,770,000 Term Bonds, Due September 1, 2051(c)(d), CUSIP Suffix KH5 (a), Interest Rate 4.00% (Yield 4.179%)(b)**

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions – Mandatory Redemption."

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APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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

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

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

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

Build America Mutual Assurance Company ("BAM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any

information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading “BOND INSURANCE” and “APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY.”

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.00% of the principal amount thereof, which resulted in a net effective interest rate of 4.166920%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com). BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million and \$294.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)



**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise

### **BOND INSURANCE RISK FACTORS**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the 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 "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligation to take up and pay for the Bonds.

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 to the knowledge of the District, the Underwriter, 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 the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## RATINGS

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P Global Ratings (“S&P”), a business unit of Standard & Poor’s Financial Services LLC, based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody’s Investors Service, Inc. (“Moody’s”) is “Baa2” (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody’s. The foregoing ratings express only the view of S&P and Moody’s at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P and Moody’s, if, in their respective judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody’s. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

## OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

### THE BONDS

The Issuer .....	Harris County Municipal Utility District No. 504 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - General.”
Description.....	<p>\$13,000,000 Unlimited Tax Bonds, Series 2022, are dated August 1, 2022, and mature on September 1 in the years and principal amounts shown on the inside cover page of this Official Statement. Interest on the Bonds accrues from the Date of Delivery (as defined herein), at the rates shown on the inside cover hereof, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until maturity or prior redemption. An aggregate of \$3,350,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024 through 2030, both inclusive, 2033, 2036 and 2037, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$9,650,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2032, 2035, 2039, 2043, 2047 and 2051 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2028, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2027, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption.” See “THE BONDS.”</p>
Book-Entry-Only System .....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

Source of Payment.....

Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates.”

Use of Proceeds .....

Proceeds of the sale of the Bonds will be used by the District to finance (i) the District’s cost of acquisition or construction of water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (the “Utility System”), that serve The Groves, Sections 25, 26, 28 and 29; Harris County Municipal Utility District No. 412 (“HCMUD No. 412”) water treatment plant expansion; HCMUD No. 412 wastewater treatment plant Phase 3 expansion; construction and land costs for Lift Station No. 3; Woodland Hills Drive trunk utilities; The Groves Drainage Reserve No. 8 Phase 2 utilities; clearing and grubbing for The Groves Drainage Reserve No. 8 Phase 2 and The Groves, Section 29; and lease payments for the future wastewater treatment plant expansion; (iv) engineering, materials testing and reporting fees associated with the foregoing projects, and Storm Water Pollution Prevention; (v) interest on advances made on behalf of the District; and (vi) administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the TCEQ, costs associated with the operation of the District, and certain financing costs related to the issuance of the BAN (defined below) and Bonds. The District will also retire its \$7,920,000 Bond Anticipation Note, Series 2021 (the “BAN”), including the payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record.....

The Bonds are the eighth series of unlimited tax bonds issued by the District. The District has previously issued Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds), Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds), Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds), Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds), Unlimited Tax Bonds, Series 2020 (the “Series 2020 Bonds”), and Unlimited Tax Bonds, Series 2021 (the “Series 2021 Bonds”) for the purpose of acquiring and constructing the Utility System; and Unlimited Tax Road Bonds, Series 2021A (the “Series 2021A Road Bonds”) for the purpose of acquiring and constructing roads located within the District (the “Road System”) (collectively, the “Prior Bonds”). The Utility System and the Road System are collectively referred to herein as the “Systems.” After the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been previously retired by the District will be \$66,755,000 (collectively, the “Outstanding Bonds”), and the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$79,755,000. The District has timely made all payments on the Prior Bonds when due.

Authorized But Unissued Bonds.....	\$175,380,000 for the Utility System and refunding purposes (after issuance of the Bonds), \$122,480,000 for the Road System and refunding purposes, and \$40,700,000 for parks and recreational facilities and refunding purposes. See “THE BONDS - Issuance of Additional Debt.” In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.”
Municipal Bond Insurance.....	Build America Mutual Assurance Company (“BAM”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Ratings.....	S&P Global Ratings (BAM Insured) “AA” (stable outlook). Moody’s Investors Service, Inc. (Underlying) “Baa2” (stable outlook). See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”
Bond Counsel.....	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<b>Not</b> Qualified Tax-Exempt Obligations .....	The Bonds are <b>not</b> “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

**THE DISTRICT**

Description.....	The District is a political subdivision of the State of Texas, created by Order of the TCEQ on March 3, 2009. The District contains approximately 981.67 acres of land. The District is located entirely within Harris County, Texas, within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”), and within the Humble Independent School District. The District is located in northeast Harris County, approximately 20 miles northeast of downtown Houston, approximately 5 miles north of the intersection of Beltway 8 and West Lake Houston Parkway and is bordered by the Balmoral development to the south, undeveloped acreage to the west, Union Pacific Railroad and Harris County Municipal Utility District No. 412 to the east and Harris County Municipal Utility District No. 290 to the north. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”
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Authority.....

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Development and Home Construction.....

Land within the District is being developed as The Groves, a master-planned single-family residential community that as of May 1, 2022, contained a total of 1,736 single-family residences, including 186 residences under construction. See “Builders” below.

The development of 1,856 single-family residential lots (approximately 595.17 total acres) is complete within the District. Such property has been subdivided as The Groves, Sections 1 through 39. All of such lots have been provided water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities and street paving. In addition, the Developer (defined below under the caption “Developer”) has initiated the development of 242 lots, on approximately 65.26 acres, as The Groves, Sections 40 (149 lots, approximately 46.57 acres) and 41 (93 lots, approximately 18.69 acres). The Developer anticipates the completion of the development of such sections, including street paving, by approximately March 2023 and December 2022, respectively. Additionally, Houston Groves Residential LLC has constructed the Pavilion at The Groves Apartments, a 320-unit apartment complex consisting of 12 buildings, five detached garage structures, and a clubhouse on approximately 20.19 acres of land located within the District.

Kiddie Academy Educational Child Care, an early childhood learning center, has been constructed on approximately 2.335 acres of land located within the District.

Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Village Builders, Beazer Homes, Shea Homes, and Westin Homes (collectively, the “Builders”) have been and are expected to be principal builders of homes on lots developed by the Developer in the District. The Developer has contracted to sell developed lots in the District to the Builders, as is discussed under the caption “Builders.”

The Developer owns approximately 69.69 acres of currently undeveloped land located within the District which are available for future development, which are expected to be developed future single-family residential or commercial development. Although the Developer has informed the District that it plans to complete the development of the remainder of its currently undeveloped land located in the District in the future, it is under no obligation to the District to develop any of such land. See “THE DEVELOPER - The Developer.” Therefore, the District cannot predict whether or when any of such property owned by the Developer will be developed. The Humble Independent School District (“HISD”) owns approximately 45.14 acres of land located within the District which are not subject to ad valorem taxation by the District on which HISD has constructed an elementary school and a middle

school. The YMCA has leased approximately 5.0 acres of the land owned by HISD on which baseball fields, playgrounds and pavilions with restrooms have been constructed. The balance of the land located within the District is contained within various street and/or drainage easements, rights-of-way, lakes and stormwater detention ponds, District plant sites, or is otherwise not available for future development. See “FUTURE DEVELOPMENT.”

In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM”), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.”

Developer.....

Ashlar Interests LLC, a privately held real estate development company based in Dallas, Texas (“Ashlar”), via multiple entities, has managed the development of The Groves since February 2017. Ashlar is continuing to manage the development of The Groves on behalf of Fortress Investment Group (“Fortress”) through the entity CF CSLK Groves LLC, a Delaware limited liability company, which acquired The Groves from LH Groves LLC in December 2021. Ashlar and Fortress are collectively referred to herein as the “Developer.”

The Developer has made no commitment for the payment of debt service on the Bonds. Only the owners of taxable property located in the District are legally responsible for the payment of ad valorem taxes to the District and other taxing authorities.

Builders.....

As is described in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” as of May 1, 2022, the District contained 1,736 single-family residences, including 186 residences under construction. Current builders of homes located within the District are: Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Village Builders, Westin Homes, Beazer Homes, and Shea Homes. Such homebuilding companies are collectively referred to herein as the “Builders.” See “DEVELOPMENT AND HOME CONSTRUCTION” for descriptions of the subdivisions located within the District in which the Builders are currently constructing homes. Lot sales contracts between the Developer and the Builders are option contracts with the sole remedy of the Developer upon an event of default by the Builder being retention of nominal option consideration. According to the Developer, homes currently being constructed by Toll Brothers in the District range in size from approximately 2,700 square feet to 4,100 square feet of living area and in sales price from approximately \$473,784 to \$749,543; homes currently being constructed by Chesmar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price

from approximately \$326,640 to \$433,715; homes currently being constructed by Lennar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price from approximately \$340,000 to \$410,000; homes currently being constructed by Highland Homes in the District range in size from approximately 2,000 square feet to 3,000 square feet of living area and in sales price from approximately \$338,000 to \$532,577; homes currently being constructed by Perry Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately \$442,000 to \$746,900; homes currently being constructed by Village Builders in the District range in size from approximately 2,000 square feet to 3,300 square feet of living area and in sales price from approximately \$400,000 to \$510,300; homes currently being constructed by Westin Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately \$349,421 to \$555,620; homes currently being constructed by Beazer Homes in the District range in size from approximately 1,500 square feet to 2,100 square feet of living area and in sales price from approximately \$315,992 to \$371,104; and homes currently being constructed by Shea Homes in the District range in size from approximately 2,014 square feet to 3,338 square feet of living area and in sales price from approximately \$401,000 to \$593,000.

Infectious Disease Outbreak (COVID-19) .....

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.



## **INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2021 Assessed Valuation.....	\$	503,585,136 (a)
(As of January 1, 2021)		
See "TAX DATA" and "TAXING PROCEDURES"		
2022 Preliminary Valuation.....	\$	724,492,330 (b)
(As of January 1, 2022)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation at May 1, 2022 .....	\$	753,916,790 (c)
(As of May 1, 2022)		
See "TAX DATA" and "TAXING PROCEDURES"		
<b>Direct Debt</b>		
Outstanding Bonds.....	\$	66,755,000
The Bonds .....		<u>13,000,000</u>
Total .....	\$	79,755,000 (d)
Estimated Overlapping Debt .....	\$	<u>28,616,809</u>
Total Direct and Estimated Overlapping Debt .....	\$	108,371,809 (d)
<b>Direct Debt Ratios</b>		
: as a percentage of 2021 Assessed Valuation .....		15.84 %
: as a percentage of 2022 Preliminary Valuation .....		11.01 %
: as a percentage of Estimated Valuation at May 1, 2022 .....		10.58 %
<b>Direct and Estimated Overlapping Debt Ratios</b>		
: as a percentage of 2021 Assessed Valuation .....		21.52 %
: as a percentage of 2022 Preliminary Valuation .....		14.96 %
: as a percentage of Estimated Valuation at May 1, 2022 .....		14.37 %
Debt Service Fund Balance as of June 2, 2022.....	\$	5,848,478 (e)
General Fund Balance as of June 2, 2022.....	\$	5,267,331
<b>2021 Tax Rate per \$100 of Assessed Valuation</b>		
Debt Service Tax.....	\$0.81	
Maintenance Tax.....	<u>0.50</u>	
Total .....		\$ 1.31 (f)
<b>Anticipated Approximate 2022 Tax Rate per \$100 of Assessed Valuation</b>		
Debt Service Tax.....	\$0.81	
Debt Service Tax - Road System.....	0.09	
Maintenance Tax.....	<u>0.41</u>	
Total .....		\$ 1.31 (f)
Average Percentage of Total Tax Collections (2014-2020)		
(As of April 30, 2022).....		99.97 %
Percentage of Total Tax Collections of 2021 Levy as of April 30, 2022		
(In process of collection).....		98.29 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2051) .....	\$	4,168,248

Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2048).....	\$	4,197,025
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2051) at 95% Tax Collections		
Based Upon 2021 Assessed Valuation.....	\$	0.88
Based Upon 2022 Preliminary Valuation.....	\$	0.61
Based Upon Estimated Valuation at May 1, 2022 .....	\$	0.59
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2048) at 95% Tax Collections		
Based Upon 2021 Assessed Valuation.....	\$	0.88
Based Upon 2022 Preliminary Valuation.....	\$	0.61
Based Upon Estimated Valuation at May 1, 2022 .....	\$	0.59
Number of Single Family Residences as of May 1, 2022 (including 186 residences under construction).....		1,736
Multi-family Improvements 320-unit Pavilion at The Groves Apartments		

- (a) As of January 1, 2021. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2022, as reflected on the District's preliminary 2022 tax roll supplied to the District by the Appraisal District for informational purposes only, and includes the preliminary 2022 values resulting from the construction of taxable improvements from January 1, 2021, through December 31, 2021. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2021 taxable value of personal property located within the District. The taxable value of personal property on the District's 2021 tax roll was \$2,893,819. The District's ultimate 2022 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2022. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2022, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2021, through April 30, 2022. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2021, through December 31, 2021, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2022 tax roll, which will be based on the valuation of District property as of January 1, 2022. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2022, through April 30, 2022, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2023 tax roll, which will be based on the valuation of District property as of January 1, 2023.
- (d) See "DISTRICT DEBT." In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of

Bond Proceeds,” “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.”

- (e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2022. The District’s remaining debt service payments for 2022, consisting of principal of and interest on the Outstanding Bonds, are due on September 1, 2022, and total \$1,859,816. The District’s initial debt service payment on the Bonds, consisting of an interest payment due thereon, is due on March 1, 2023.
- (f) The District levied a debt service tax rate of \$0.81 per \$100 of Assessed Valuation and a maintenance tax of \$0.50 per \$100 of Assessed Valuation for 2021. Therefore, the District's combined total tax for 2021 is \$1.31 per \$100 of Assessed Valuation. The District anticipates levying a debt service tax for the Utility System and parks in the approximate amount of \$0.81 per \$100 of Assessed Valuation for 2022, a debt service tax for the Road System in the approximate amount of \$0.09 per \$100 of Assessed Valuation, plus a maintenance tax of approximately \$0.41 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 rate, is \$3.54025. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 504  
UNLIMITED TAX BONDS  
SERIES 2022**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 504 (the “District”) of its \$13,000,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

**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 resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated August 1, 2022. Interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover page hereof, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. An aggregate of \$3,350,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024 through 2030, both inclusive, 2033, 2036 and 2037, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$9,650,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2032, 2035, 2039, 2043, 2047 and 2051 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”).

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

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of 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 takes 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, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 S&P Global rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through 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 an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

### **Record Date**

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th calendar day of the month next preceding such interest payment date.

### **Assignments, Transfers and Exchanges**

In the event DTC's book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

## Redemption Provisions

### *Mandatory Redemption*

The Term Bonds maturing on September 1 in each of the years 2032, 2035, 2039, 2043, 2047 and 2051 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below).

**\$710,000 Term Bonds Maturing on September 1, 2032**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
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September 1, 2031	\$350,000
September 1, 2032 (maturity)	360,000

**\$795,000 Term Bonds Maturing on September 1, 2035**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
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September 1, 2034	\$390,000
September 1, 2035 (maturity)	405,000

**\$925,000 Term Bonds Maturing on September 1, 2039**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
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September 1, 2038	\$455,000
September 1, 2039 (maturity)	470,000

**\$2,060,000 Term Bonds Maturing on September 1, 2043**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
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September 1, 2040	\$485,000
September 1, 2041	510,000
September 1, 2042	525,000
September 1, 2043 (maturity)	540,000

**\$2,390,000 Term Bonds Maturing on September 1, 2047**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
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September 1, 2044	\$565,000
September 1, 2045	585,000
September 1, 2046	610,000
September 1, 2047 (maturity)	630,000

**\$2,770,000 Term Bonds Maturing on September 1, 2051**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
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September 1, 2048	\$655,000
September 1, 2049	680,000
September 1, 2050	700,000
September 1, 2051 (maturity)	735,000



On or before 30 days prior to each Mandatory Redemption date set forth above, the Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary method of random selection, the Term Bonds or portions of Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of Term Bonds of a particular maturity to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bonds, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

#### *Optional Redemption*

The District reserves the right, at its option, to redeem the outstanding amounts of the Bonds, including the Term Bonds, maturing on and after September 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, 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 optionally 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 to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK- ENTRY-ONLY SYSTEM." If fewer than all of the Term Bonds of a maturity are to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts of such maturity to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Resolution.

#### *Effects of Redemption*

By the date fixed for redemption, 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 date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

#### **Replacement of Registrar**

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

#### **Authority for Issuance**

At an election held within the District on November 5, 2013, voters of the District authorized a total of \$247,320,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding such bonds, \$131,380,000 for road facilities and refunding such bonds, and \$40,700,000 for parks and recreational facilities and refunding such bonds. The Bonds constitute the seventh issuance of bonds from such authorization. The District has previously issued Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds), Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds), Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds), Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds), Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds"), and Unlimited Tax Bonds, Series 2021 (the "Series 2021 Bonds") for the purpose of acquiring and constructing the Utility System; and Unlimited Tax Road Bonds, Series 2021A (the "Series 2021A Road Bonds") for the purpose of acquiring and constructing the Road System (collectively, the "Prior Bonds"). The Utility System and the Road System are collectively referred to herein as the "Systems." After the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been

previously retired by the District will be \$66,755,000 (collectively, the “Outstanding Bonds”), and the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$79,755,000. After sale of the Bonds, a total of \$175,380,000 in principal amount of unlimited tax bonds for water, sewer and drainage facilities and refunding such bonds, \$122,480,000 for road facilities and refunding such bonds, and \$40,700,000 for parks and recreational facilities and refunding such bonds will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”).

### **Source of Payment**

The Bonds, the Outstanding Bonds and any additional bonds payable in whole or in part from taxes, are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collection, and Paying Agent/Registrar fees. Such proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, and on additional bonds payable from taxes which may hereafter be issued, and Paying Agent/Registrar fees.

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

### **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ (in the case of Utility System bonds), necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$247,320,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities and refunding purposes, and could authorize additional amounts. Following the issuance of the Bonds, \$175,380,000 unlimited tax bonds for water, sewer and drainage facilities and refunding purposes will remain authorized but unissued. The District's voters also have authorized \$131,380,000 for road facilities and refunding purposes, of which \$122,480,000 remains authorized but unissued, and \$40,700,000 in unlimited tax bonds for parks and recreational facilities and refunding purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ (in the case of Utility System bonds)). In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM”), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.”

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, BGE, Inc. (the “Engineer”), the \$175,380,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage/detention facilities and services to serve all of the remaining undeveloped portions of the District. See “DEVELOPMENT AND HOME CONSTRUCTION,” “FUTURE DEVELOPMENT,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.”

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of park bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. On November 5, 2013, voters in the District authorized \$40,700,000 in bonds for parks and recreational facilities, none of which bonds have been issued to date.

## **No Arbitrage**

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

## **Annexation and Consolidation**

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

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

## **Strategic Partnership**

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the service would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such an agreement with other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District. No representation can be made regarding the future likelihood of an agreement or the terms thereof.

## **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of and interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. In addition, any legal action taken to seek any such remedies may be limited by the doctrine of sovereign immunity. 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. Even if the Registered Owners could obtain a judgment against the District, such judgment cannot be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below and "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

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

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such 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, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

### **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.

### **Defeasance**

The Bond Resolution 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) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with 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 non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

### **Use and Distribution of Bond Proceeds**

Proceeds of the sale of the Bonds will be used by the District to finance (i) the District's cost of acquisition or construction of water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities (the "Utility System"), that serve The Groves, Sections 25, 26, 28 and 29; Harris County Municipal Utility District No. 412 ("HCMUD

No. 412") water treatment plant expansion; HCMUD No. 412 wastewater treatment plant Phase 3 expansion; construction and land costs for Lift Station No. 3; Woodland Hills Drive trunk utilities; The Groves Drainage Reserve No. 8 Phase 2 utilities; clearing and grubbing for The Groves Drainage Reserve No. 8 Phase 2 and The Groves, Section 29; and lease payments for the future wastewater treatment plant expansion; (iv) engineering, materials testing and reporting fees associated with the foregoing projects, and Storm Water Pollution Prevention; (v) interest on advances made on behalf of the District; and (vi) administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the TCEQ, costs associated with the operation of the District, and certain financing costs related to the issuance of the BAN (defined below) and Bonds. The District will also retire its \$7,920,000 Bond Anticipation Note, Series 2021 (the "BAN"), including the payment of principal of and interest thereon, with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds.

**I. Construction Costs** **District's Share**

A.	Developer Contribution Items (a)	
	1. Groves Section 25 – Water, Wastewater and Drainage	\$1,194,770
	2. Groves Section 26 – Water, Wastewater and Drainage	983,858
	3. Groves Section 28 – Water, Wastewater and Drainage	935,340
	4. Groves Section 29 – Water, Wastewater and Drainage	249,371
	5. Woodland Hills Drive – Trunk Utilities	598,163
	6. Drainage Reserve No. 8 Phase 2 – Water, Wastewater and Drainage	902,904
	7. Groves Section 29 – Clearing and Grubbing	16,033
	8. Drainage Reserve No. 8 Phase 2 – Clearing and Grubbing	59,800
	9. Engineering, Testing, & Reporting	1,044,207
	10. Storm Water Pollution Prevention	<u>137,506</u>
	<b>TOTAL DEVELOPER CONTRIBUTION ITEMS</b>	<b>\$6,121,952</b>
B.	District Items	
	1. Water Treatment Plant 2 Expansion	\$2,608,546
	2. Wastewater Treatment Plant 2 Phase 3 Expansion	456,904
	3. Lift Station No. 3	674,941
	4. Engineering, Testing, & Reporting	820,574
	5. Engineering on Lift Station No. 1 Improvements	70,859
	6. Storm Water Pollution Prevention	17,093
	7. Land Costs - Lift Station No. 3	7,366
	8. Future WWTP Lease Payments	<u>315,600</u>
	<b>TOTAL DISTRICT ITEMS</b>	<b><u>\$4,971,883</u></b>
	 <b>SUBTOTAL CONSTRUCTION COSTS</b>	 <b>11,093,835</b>
	Less Surplus Funds	<u>(500,000)</u>
	<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$10,593,835</b>

**II. Non-Construction Costs**

1.	Legal Fees	\$300,000
2.	Fiscal Agent Fees	260,000
3.	Interest	
	a. Developer Interest (b)	844,240
	b. Bond Anticipation Note Interest	277,200
4.	Bond Discount	390,000
5.	Bond Issuance Expenses	51,588

6. Bond Anticipation Note Issuance Expenses	191,137
7. Bond Application Report Costs	50,000
8. Attorney General Fee	9,500
9. TCEQ Bond Issuance Fee	<u>32,500</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b><u>\$2,406,165</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$13,000,000</u></b>

- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed to the Developer on advances of construction costs and engineer fees and operating expenses made on the District's behalf by the Developer. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developer has borrowed funds.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to reimburse the Developer for the costs of the above-described facilities and the redemption of the BAN. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## THE DISTRICT

### General

The District is a municipal utility district created by an order of the TCEQ, dated March 3, 2009, under Article XVI, Section 59 of the Texas Constitution. Effective June 14, 2013, an amendment was enacted by a special act of the 83rd Texas Legislature, now codified as Chapter 8460 of the Texas Special District Local Laws Code (“Chapter 8460”), granting the District authority under Article III, Section 52 of the Texas Constitution. The District operates pursuant to Chapter 8460, Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, 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 is also authorized to develop roads and parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The District is required to observe certain requirements of the City of Houston, which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage 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. 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 UTILITY SYSTEM.”

## Description

The District contains approximately 981.67 acres of land. The District is located entirely within Harris County, Texas, within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”), and within the Humble Independent School District. The District is located in northeast Harris County, approximately 20 miles northeast of downtown Houston, approximately 5 miles north of the intersection of Beltway 8 and West Lake Houston Parkway and is bordered by the Balmoral development to the south, undeveloped acreage to the west, Union Pacific Railroad and Harris County Municipal Utility District No. 412 to the east and Harris County Municipal Utility District No. 290 to the north. See “APPENDIX A - LOCATION MAP.”

## Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District on the first Saturday in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors currently reside within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
John Hernandez	President	2024
Ebony McGowen	Vice President	2026
Kimberly Badu	Assistant Vice President	2024
Kedrin Bell	Secretary	2024
Anthony Turner	Assistant Secretary	2026

The District does not have a general manager or any other employee, but has contracted for services, as follows.

*Tax Assessor/Collector* - The District has engaged Assessments of the Southwest, Inc., Friendswood, Texas, as the District's Tax Assessor/Collector. According to Assessments of the Southwest, Inc., it currently serves approximately 204 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

*Consulting Engineers* - The District has employed the firm of BGE, Inc., Houston, Texas, as Consulting Engineer in connection with the design and construction of the Systems.

*Bookkeeper* - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 359 districts as bookkeeper.

*Auditor* - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. The financial statements of the District as of June 30, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX B.”

*Operator* - Inframark, LLC is employed by the District as the general operator of the District's System. According to Inframark, LLC, it serves as operator of the systems of approximately 125 districts.

*Bond Counsel and General Counsel* - Allen Boone Humphries Robinson LLP, Houston, Texas (“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, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

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



*Financial Advisor* - The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through [http://www.sec.gov/edgar/searchedgar/company\\_search.html](http://www.sec.gov/edgar/searchedgar/company_search.html).

## **DEVELOPMENT AND HOME CONSTRUCTION**

Land within the District is being developed as The Groves, a master-planned single-family residential community that as of May 1, 2022, contained a total of 1,736 single-family residences, including 186 residences under construction. See “BUILDERS” below.

The development of 1,856 single-family residential lots (approximately 595.17 total acres) is complete within the District. Such property has been subdivided as The Groves, Sections 1 through 39. All of such lots have been provided water supply and distribution, wastewater collection and treatment and storm drainage/detention facilities and street paving. In addition, the Developer (defined below under the caption “DEVELOPER”) has initiated the development of 242 lots, on approximately 65.26 acres, as The Groves, Sections 40 (149 lots, approximately 46.57 acres) and 41 (93 lots, approximately 18.69 acres). The Developer anticipates the completion of the development of such sections, including street paving, by approximately March 2023 and December 2022, respectively. Additionally, Houston Groves Residential LLC has constructed the Pavilion at The Groves Apartments, a 320-unit apartment complex consisting of 12 buildings, five detached garage structures, and a clubhouse on approximately 20.19 acres of land located within the District.

Kiddie Academy Educational Child Care, an early childhood learning center, has been constructed on approximately 2.335 acres of land located within the District.

Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Village Builders, Westin Homes, Beazer Homes, and Shea Homes (collectively, the “Builders”) have been and are expected to be principal builders of homes on lots developed by the Developer in the District. The Developer has contracted to sell developed lots in the District to the Builders, as is discussed under the caption “BUILDERS.”

The Developer owns approximately 69.69 acres of currently undeveloped land located within the District which are available for future development, which are expected to be developed future single-family residential or commercial development. Although the Developer has informed the District that it plans to complete the development of the remainder of its currently undeveloped land located in the District in the future, it is under no obligation to the District to develop any of such land. See “THE DEVELOPER - The Developer.” Therefore, the District cannot predict whether or when any of such property owned by the Developer will be developed. The Humble Independent School District (“HISD”) owns approximately 45.14 acres of land located within the District which are not subject to ad valorem taxation by the District on which HISD has constructed an elementary school and a middle school. The YMCA has leased approximately 5.0 acres of the land owned by HISD on which baseball fields, playgrounds and pavilions with restrooms have been constructed. The balance of the land located within the District is contained within various street and/or drainage easements, rights-of-way, lakes and stormwater detention ponds, District plant sites, or is otherwise not available for future development. See “FUTURE DEVELOPMENT.”

In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM”), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.”

The following table reflects the status of the residential development and home construction in the District as of May 1, 2022:

**Residential Units**

<u>Subdivision</u>	<u>LOTS</u>				<u>HOMES</u>				<u>Totals</u>
	<u>Fully Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u>		<u>Completed</u>		
					<u>Sold*</u>	<u>Unsold</u>	<u>Sold*</u>	<u>Unsold</u>	
The Groves									
Section 1	41	24.10			0	0	41	0	41
Section 2	72	26.89			0	0	71	1	72
Section 3	41	15.64			0	0	41	0	41
Section 4	35	13.70			0	0	35	0	35
Section 5	58	15.18			0	0	58	0	58
Section 6	31	10.25			0	0	31	0	31
Section 7	47	15.43			0	0	47	0	47
Section 8	52	15.33			0	0	52	0	52
Section 9	54	23.93			0	0	54	0	54
Section 10	49	11.42			0	0	49	0	49
Section 11	36	9.99			6	0	28	1	35
Section 12	33	9.47			2	0	30	1	33
Section 13	43	13.06			13	0	27	0	40
Section 14	19	5.42			1	0	18	0	19
Section 15	30	7.58			0	0	30	0	30
Section 16	40	9.11			0	0	40	0	40
Section 17	44	14.49			6	0	38	0	44
Section 18	58	16.00			0	0	58	0	58
Section 19	20	5.26			0	0	18	0	18
Section 20	69	18.84			4	0	63	0	67
Section 21	54	13.29			1	0	53	0	54
Section 22	28	7.80			0	0	28	0	28
Section 23	41	11.69			0	0	41	0	41
Section 24	143	33.80			6	0	136	1	143
Section 25	33	15.48			2	0	30	1	33
Section 26	60	14.90			5	0	51	0	56
Section 27	52	14.38			1	0	50	1	52
Section 28	96	24.86			13	0	81	1	95
Section 29	43	16.02			14	0	21	0	35
Section 30	52	17.61			7	0	32	1	40
Section 31	31	30.00			18	0	0	0	18
Section 32	29	6.61			5	0	22	0	27
Section 33	87	20.85			17	0	58	0	75
Section 34	55	28.17			17	0	20	0	37
Section 35	38	9.75			24	0	0	0	24
Section 36	43	11.45			16	0	22	0	38
Section 37	15	20.74			1	0	12	0	13
Section 38	26	6.21			7	0	15	0	22
Section 39	58	10.47			0	0	41	0	41
Section 40			149	46.57					
Section 41			93	18.69					
<b>Totals</b>	<b>1,856</b>	<b>595.17</b>	<b>242</b>	<b>65.26</b>	<b>186</b>	<b>0</b>	<b>1,542</b>	<b>8</b>	<b>1,736</b>

\* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval, and inspection.

## THE DEVELOPER

### General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

### The Developer

Ashlar Interests LLC, a privately held real estate development company based in Dallas, Texas ("Ashlar"), via multiple entities, has managed the development of The Groves since February 2017. Ashlar is continuing to manage the development of The Groves on behalf of Fortress Investment Group ("Fortress") through the entity CF CSLK Groves LLC, a Delaware limited liability company, which acquired The Groves from LH Groves LLC in December 2021. Ashlar and Fortress are collectively referred to herein as the "Developer."

The Developer has made no commitment for the payment of debt service on the Bonds. Only the owners of taxable property located in the District are legally responsible for the payment of ad valorem taxes to the District and other taxing authorities.

## BUILDERS

As is described in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION," as of May 1, 2022, the District contained 1,736 single-family residences, including 186 residences under construction. Current builders of homes located within the District are: Toll Brothers, Chesmar Homes, Lennar Homes, Highland Homes, Perry Homes, Village Builders, Westin Homes, Beazer Homes, and Shea Homes. Such homebuilding companies are collectively referred to herein as the "Builders." See "DEVELOPMENT AND HOME CONSTRUCTION" for descriptions of the subdivisions located within the District in which the Builders are currently constructing homes. Lot sales contracts between the Developer and the Builders are option contracts with the sole remedy of the Developer upon an event of default by the Builder being retention of nominal option consideration. According to the Developer, homes currently being constructed by Toll Brothers in the District range in size from approximately 2,700 square feet to 4,100 square feet of living area and in sales price from approximately \$473,784 to \$749,543; homes currently being constructed by Chesmar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price from approximately \$326,640 to \$433,715; homes currently being constructed by Lennar Homes in the District range in size from approximately 1,750 square feet to 2,750 square feet of living area and in sales price from approximately \$340,000 to \$410,000; homes currently being constructed by Highland Homes in the District range in size from approximately 2,000 square feet to 3,000 square feet of living area and in sales price from approximately \$338,000 to \$532,577; homes currently being constructed by Perry Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately \$442,000 to \$746,900; homes currently being constructed by Village Builders in the District range in size from approximately 2,000 square feet to 3,300 square feet of living area and in sales price from approximately \$400,000 to \$510,300; homes currently being constructed by Westin Homes in the District range in size from approximately 2,400 square feet to 3,800 square feet of living area and in sales price from approximately \$349,421 to \$555,620; homes currently being constructed by Beazer Homes in the District range in size from approximately 1,500 square feet to 2,100 square feet of living area and in sales price from approximately \$315,992 to \$371,104; and homes currently being constructed by Shea Homes in the District range in size from approximately 2,014 square feet to 3,338 square feet of living area and in sales price from approximately \$401,000 to \$593,000.

## **FUTURE DEVELOPMENT**

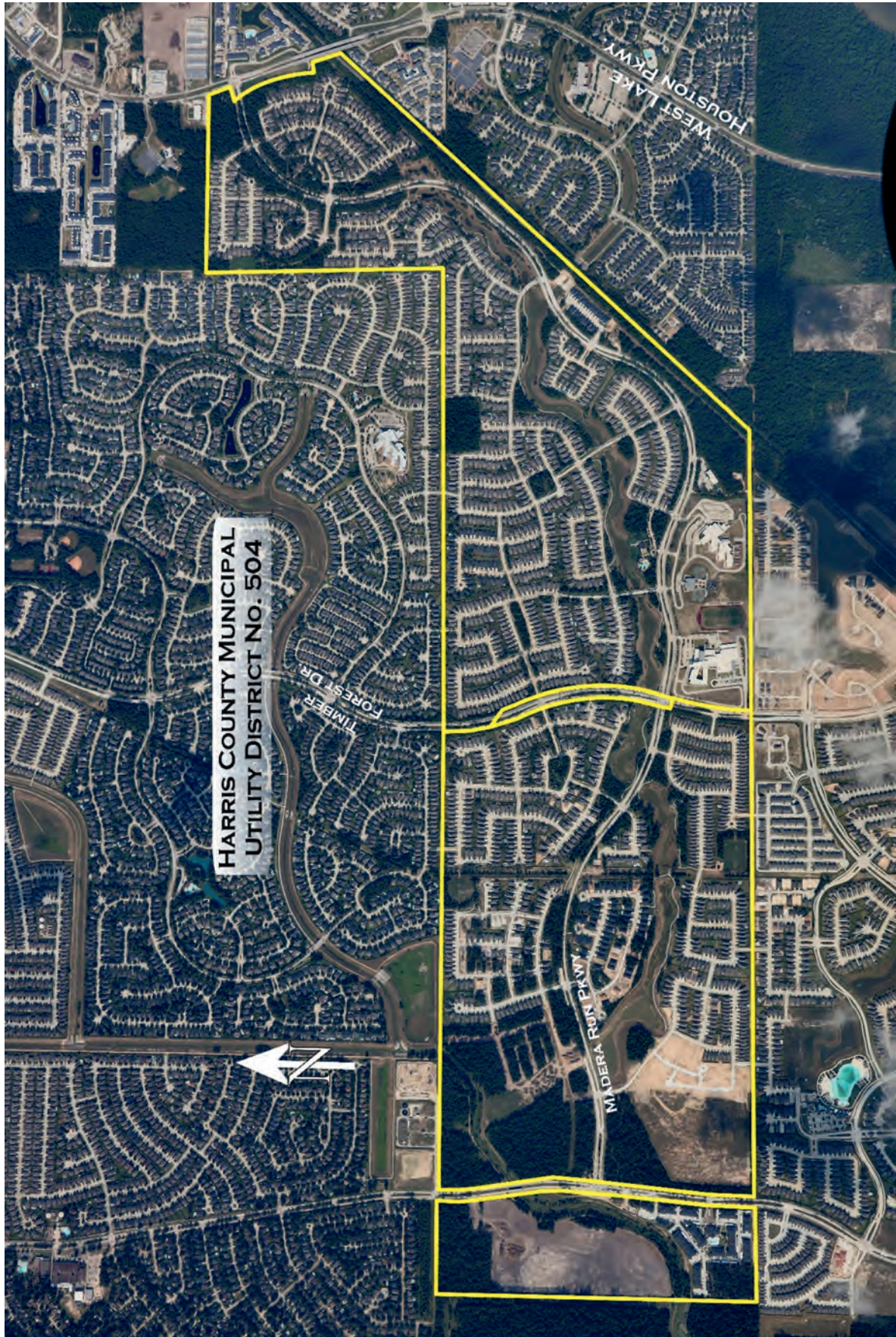
As is described above under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” the development of approximately 595.17 acres of land located within the District into 1,856 single-family residential lots has been completed. In addition, the Developer has initiated the development of 242 lots, on approximately 65.26 acres, as The Groves, Sections 40 (149 lots, approximately 46.57 acres) and 41 (93 lots, approximately 18.69 acres). The Developer anticipates the completion of the development of such sections, including street paving, by approximately March 2023 and December 2022, respectively. Additionally, Houston Groves Residential LLC has constructed the Pavilion at The Groves Apartments, a 320-unit apartment complex consisting of 12 buildings, five detached garage structures, and a clubhouse on approximately 20.19 acres of land located within the District. Kiddie Academy Educational Child Care, an early childhood learning center, has been constructed on approximately 2.335 acres of land located within the District.

The Developer owns approximately 69.69 acres of currently undeveloped land located within the District which are available for future development, which are expected to be developed future single-family residential or commercial development. Although the Developer has informed the District that it plans to complete the development of the remainder of its currently undeveloped land located in the District in the future, it is under no obligation to the District to develop any of such land. Therefore, the District cannot predict whether or when any of such property owned by the Developer will be developed. The Humble Independent School District (“HISD”) owns approximately 45.14 acres of land located within the District which are not subject to ad valorem taxation by the District on which HISD has constructed an elementary school and a middle school. The YMCA has leased approximately 5.0 acres of the land owned by HISD on which baseball fields, playgrounds and pavilions with restrooms have been constructed. The balance of the land located within the District is contained within various street and/or drainage easements, rights-of-way, lakes and stormwater detention ponds, District plant sites, or is otherwise not available for future development.

If any undeveloped portion of the District is eventually developed, additions to the District’s Systems required to provide service to such undeveloped acreage may be financed by future issues of the District’s bonds.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District’s consulting engineer, BGE, Inc. (the “Engineer”), the \$175,380,000 authorized but unissued bonds will be adequate to finance the extension of the Utility System to serve all of the remaining undeveloped portions of the District. See “DEVELOPMENT AND HOME CONSTRUCTION” and “THE UTILITY SYSTEM.”

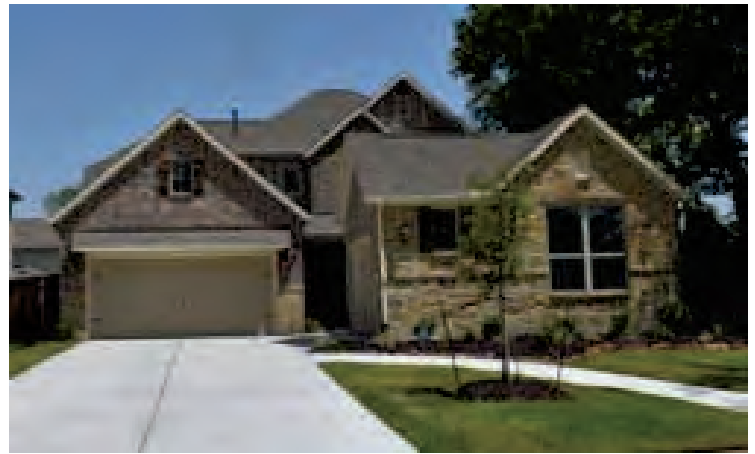
AERIAL PHOTOGRAPH OF THE DISTRICT  
(taken June 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken June 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken June 2022)



## DISTRICT DEBT

### Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds plus the principal and interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2022	\$2,747,066			\$2,747,066
2023	3,170,100		\$574,803	3,744,903
2024	3,375,000	\$270,000	534,700	4,179,700
2025	3,374,344	280,000	519,175	4,173,519
2026	3,375,533	290,000	503,075	4,168,608
2027	3,375,195	300,000	486,400	4,161,595
2028	3,376,714	315,000	469,150	4,160,864
2029	3,384,726	325,000	452,613	4,162,339
2030	3,385,464	340,000	439,613	4,165,076
2031	3,388,370	350,000*	426,013	4,164,383
2032	3,394,420	360,000*	414,638	4,169,058
2033	3,398,764	375,000	402,938	4,176,701
2034	3,400,208	390,000*	389,813	4,180,020
2035	3,404,264	405,000*	375,188	4,184,451
2036	3,405,389	420,000	360,000	4,185,389
2037	3,409,376	435,000	343,200	4,187,576
2038	3,411,125	455,000*	325,800	4,191,925
2039	3,415,264	470,000*	307,600	4,192,864
2040	3,416,776	485,000*	288,800	4,190,576
2041	3,415,314	510,000*	269,400	4,194,714
2042	3,420,908	525,000*	249,000	4,194,908
2043	3,423,936	540,000*	228,000	4,191,936
2044	3,423,794	565,000*	206,400	4,195,194
2045	3,425,744	585,000*	183,800	4,194,544
2046	3,425,356	610,000*	160,400	4,195,756
2047	3,427,231	630,000*	136,000	4,193,231
2048	3,431,225	655,000*	110,800	4,197,025
2049	3,429,281	680,000*	84,600	4,193,881
2050	3,434,800	700,000*	57,400	4,192,200
2051	3,431,850	735,000*	29,400	4,196,250
	\$101,297,537	\$13,000,000	\$9,328,719	\$123,626,252

Average Annual Requirements: (2023-2051)..... \$4,168,248  
 Maximum Annual Requirement: (2048)..... \$4,197,025

\* Represents mandatory sinking fund payments on Term Bonds.



**Bonded Indebtedness**

2021 Assessed Valuation..... (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	\$ 503,585,136 (a)
2022 Preliminary Valuation..... (As of January 1, 2022) See "TAX DATA" and "TAXING PROCEDURES"	\$ 724,492,330 (b)
Estimated Valuation at May 1, 2022 ..... (As of May 1, 2022) See "TAX DATA" and "TAXING PROCEDURES"	\$ 753,916,790 (c)
Direct Debt:	
Outstanding Bonds.....	\$ 66,755,000
The Bonds .....	<u>13,000,000</u>
Total .....	\$ 79,755,000 (d)
Estimated Overlapping Debt .....	\$ <u>28,616,809</u>
Total Direct and Estimated Overlapping Debt .....	\$ 108,371,809 (d)
Direct Debt Ratios	
: as a percentage of 2021 Assessed Valuation .....	15.84 %
: as a percentage of 2022 Preliminary Valuation .....	11.01 %
: as a percentage of Estimated Valuation at May 1, 2022 .....	10.58 %
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2021 Assessed Valuation .....	21.52 %
: as a percentage of 2022 Preliminary Valuation .....	14.96 %
: as a percentage of Estimated Valuation at May 1, 2022 .....	14.37 %
Debt Service Fund Balance as of June 2, 2022.....	\$ 5,848,478 (e)
General Fund Balance as of June 2, 2022.....	\$ 5,267,331
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$0.81
Maintenance Tax.....	<u>0.50</u>
Total .....	\$ 1.31 (f)
Anticipated Approximate 2022 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax .....	\$0.81
Debt Service Tax - Road System.....	0.09
Maintenance Tax .....	<u>0.41</u>
Total .....	\$ 1.31 (f)

(a) As of January 1, 2021. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

(b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2022, as reflected on the District's preliminary 2022 tax roll supplied to the District by the Appraisal District for informational purposes only, and includes the preliminary 2022 values resulting from the construction of taxable

improvements from January 1, 2021, through December 31, 2021. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2021 taxable value of personal property located within the District. The taxable value of personal property on the District's 2021 tax roll was \$2,893,819. The District's ultimate 2022 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2022. See "TAXING PROCEDURES."

- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2022, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2021, through April 30, 2022. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2021, through December 31, 2021, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2022 tax roll, which will be based on the valuation of District property as of January 1, 2022. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2022, through April 30, 2022, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2023 tax roll, which will be based on the valuation of District property as of January 1, 2023.
- (d) In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt," "THE UTILITY SYSTEM" and "THE ROAD SYSTEM."
- (e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2022. The District's remaining debt service payments for 2022, consisting of principal of and interest on the Outstanding Bonds, are due on September 1, 2022, and total \$1,859,816. The District's initial debt service payment on the Bonds, consisting of an interest payment due thereon, is due on March 1, 2023.
- (f) The District levied a debt service tax rate of \$0.81 per \$100 of Assessed Valuation and a maintenance tax of \$0.50 per \$100 of Assessed Valuation for 2021. Therefore, the District's combined total tax for 2021 is \$1.31 per \$100 of Assessed Valuation. The District anticipates levying a debt service tax for the Utility System and parks in the approximate amount of \$0.81 per \$100 of Assessed Valuation for 2022, a debt service tax for the Road System in the approximate amount of \$0.09 per \$100 of Assessed Valuation, plus a maintenance tax of approximately \$0.41 per \$100 of Assessed Valuation. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 rate, is \$3.54025. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

**Estimated Direct and 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 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. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u><b>Taxing Jurisdiction</b></u>	<u><b>Debt as of May 1, 2022</b></u>	<u><b>Estimated Overlapping Percent</b></u>	<u><b>Amount</b></u>
Harris County <sup>(i)</sup>	\$1,682,992,125	0.09660%	\$1,625,786
Harris County Department of Education	20,185,000	0.09660%	19,499
Harris County Flood Control District	584,900,000	0.09660%	565,019
Harris County Hospital District	76,385,000	0.09660%	73,789
Port of Houston Authority	469,434,397	0.09660%	453,478
Humble Independent School District	991,770,000	2.47224%	24,518,919
Lone Star College System	643,940,000	0.21125%	<u>1,360,319</u>
Total Estimated Overlapping Debt			\$28,616,809
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>79,755,000</u>
Total Direct and Estimated Overlapping Debt			\$108,371,809

<sup>(i)</sup> The Harris County Toll Road Authority bonds are considered to be self-supporting, and are not included in this schedule.

**Debt Ratios**

	<u>% of 2021 Assessed Valuation</u>	<u>% of 2022 Preliminary Valuation</u>	<u>% of Estimated Valuation at May 1, 2022</u>
Direct Debt .....	15.84%	11.01%	10.58%
Direct and Estimated Overlapping Debt....	21.52%	14.96%	14.37%

**TAX DATA**

**Debt Service Tax**

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds that may be issued by the District from time to time. The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see “THE BONDS” and “INVESTMENT CONSIDERATIONS”). The actual rate of such tax is determined annually as a function of the District's tax base, its debt service requirements, and available funds. The District levied a debt service tax in 2021 of \$0.81 per \$100 of Assessed Valuation, and anticipates levying a debt service tax of approximately \$0.81 per \$100 of Assessed Valuation for payment of bonds issued by the District for the Utility System and a debt service tax of approximately \$0.09 per \$100 of Assessed Valuation for payment of bonds issued by the District for the Road System in

2022 as is described below under the caption “Tax Rate Distribution.” The District is authorized to levy separate debt service taxes, both of which are unlimited as to rate or amount, for the payment of debt service on bonds issued for the Utility System and bonds issued for the Road System.

### 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 a vote of the District's electorate. On November 5, 2013, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.50 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax in 2021 of \$0.50 per \$100 of Assessed Valuation. The District anticipates levying a maintenance tax of approximately \$0.41 per \$100 of Assessed Valuation for 2022.

On November 5, 2013, the District voters authorized the levy of a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation for the purpose of maintaining roads in the District. As of the date hereof, the District has not levied a road maintenance tax. Such tax would be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future and the maintenance tax described above.

### Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount)
Road System Debt Service:	Unlimited (no legal limit as to rate or amount)
Utility System Maintenance:	\$1.50 per \$100 Assessed Valuation
Road System Maintenance:	\$0.25 per \$100 Assessed Valuation

### Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate<sup>(a)</sup></u>	<u>Total Levy</u>	<u>% Collections</u>	
				<u>Current &amp; Prior Years<sup>(b)</sup></u>	<u>Year Ended 09/30</u>
2014	\$7,008,348	\$1.39 <sup>(c)</sup>	\$133,890	100.00%	2015
2015	17,605,128	1.39 <sup>(c)</sup>	279,172	100.00	2016
2016	68,903,759	1.39	997,101	100.00	2017
2017	112,370,898	1.39	1,597,262	100.00	2018
2018	165,351,477	1.39	2,373,426	100.00	2019
2019	272,588,162	1.39	3,788,975	99.88	2020
2020	367,211,732	1.39	5,104,243	99.94	2021
2021	503,585,136	1.31	6,596,965	98.29 <sup>(d)</sup>	2022

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through April 30, 2022. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) Maintenance tax only.

(d) As of April 30, 2022. In process of collection.

## Tax Rate Distribution

	<u>2022*</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.81	\$0.81	\$0.85	\$0.76	\$0.69	\$0.69
Debt Service – Road System	0.09	0.00	0.00	0.00	0.00	0.00
Maintenance	<u>0.41</u>	<u>0.50</u>	<u>0.54</u>	<u>0.63</u>	<u>0.70</u>	<u>0.70</u>
Total	\$1.31	\$1.31	\$1.39	\$1.39	\$1.39	\$1.39

\* Anticipated approximate tax rate. Subject to change.

## Tax Exemption

The District does not currently grant any tax exemptions.

## Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$134,346,448	26.68%	\$119,179,387	32.46%	\$102,564,775	37.63%
Improvements	393,451,958	78.13%	261,072,967	71.10%	179,172,733	65.73%
Personal Property	3,923,477	0.78%	3,545,123	0.97%	2,943,841	1.08%
Exemptions	<u>(28,136,747)</u>	<u>-5.59%</u>	<u>(16,585,745)</u>	<u>-4.52%</u>	<u>(12,093,187)</u>	<u>-4.44%</u>
TOTAL	\$503,585,136	100.00%	\$367,211,732	100.00%	\$272,588,162	100.00%

<u>Type of Property</u>	<u>2018</u>		<u>2017</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$64,063,088	38.74%	\$48,387,045	43.06%
Improvements	115,156,085	69.64%	72,651,010	64.65%
Personal Property	2,018,056	1.22%	806,835	0.72%
Exemptions	<u>(15,885,752)</u>	<u>-9.61%</u>	<u>(9,473,992)</u>	<u>-8.43%</u>
TOTAL	\$165,351,477	100.00%	\$112,370,898	100.00%

**Principal 2021 Taxpayers**

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2021. The information reflects the composition of property ownership reflected on the District's 2021 tax roll. See "THE DEVELOPER."

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2021 Tax Roll</u>	<u>% of 2021 Tax Roll</u>
Houston Groves Residential, LLC (a)	Multi-Family	\$17,619,082	3.50%
CF CSLK Groves LLC (b)	Land	12,834,316	2.55%
Westin Homes and Properties, L.P. (c)	Lots and Homes	3,635,647	0.72%
HEB LP	Land	3,128,915	0.62%
Perry Homes, LLC (c)	Lots and Homes	2,664,238	0.53%
Chesmar Homes, LLC (c)	Lots and Homes	2,388,198	0.47%
Toll Southwest, LLC (c)	Lots and Homes	2,150,903	0.43%
Madera Run, Ltd.	Commercial	1,983,336	0.39%
Lennar Homes of Texas (c)	Lots and Homes	1,921,032	0.38%
Highland Homes Houston, LLC (c)	Lots and Homes	<u>1,873,353</u>	<u>0.37%</u>
		\$50,199,020	9.96%

(a) See "DEVELOPMENT AND HOME CONSTRUCTION."

(b) See "DEVELOPER."

(c) See "BUILDERS."

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2021 Assessed Valuation, the 2022 Preliminary Valuation or the Estimated Valuation at May 1, 2022. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District.

Average Annual Debt Service Requirements (2023-2051).....	\$4,168,248
Tax Rate of \$0.88 on the 2021 Assessed Valuation (\$503,585,136) produces.....	\$4,209,972
Tax Rate of \$0.61 on the 2022 Preliminary Valuation (\$724,492,330) produces.....	\$4,198,433
Tax Rate of \$0.59 on the Estimated Valuation at May 1, 2022 (\$753,916,790) produces.....	\$4,225,704
Maximum Annual Debt Service Requirement (2048) .....	\$4,197,025
Tax Rate of \$0.88 on the 2021 Assessed Valuation (\$503,585,136) produces.....	\$4,209,972
Tax Rate of \$0.61 on the 2022 Preliminary Valuation (\$724,492,330) produces.....	\$4,198,433
Tax Rate of \$0.59 on the Estimated Valuation at May 1, 2022 (\$753,916,790) produces.....	\$4,225,704

The District levied a debt service tax of \$0.81 per \$100 of Assessed Valuation and a maintenance tax of \$0.50 per \$100 of Assessed Valuation for 2021. The District anticipates levying a debt service tax for the Utility System and parks in the approximate amount of \$0.81 per \$100 of Assessed Valuation for 2022, a debt service tax for the Road System in the approximate amount of \$0.09 per \$100 of Assessed Valuation, plus a maintenance tax of approximately \$0.41 per \$100 of Assessed Valuation. Thus the 2022 combined debt service tax rate is expected to be approximately \$0.90 per \$100 of Assessed Valuation. As the above table indicates, the anticipated approximate combined 2022 Road System, Utility System and parks debt service tax rate will be sufficient to pay debt service on the Outstanding Bonds and the Bonds given taxable values in the District at the level of the 2022 Preliminary Valuation or the Estimated Valuation at May 1, 2022, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the

District. In addition, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District has collected an average of 99.97% of its 2014 through 2020 tax levies as of April 30, 2022, and its 2021 levy is 98.29% collected as of such date. Moreover, the District’s Debt Service Fund balance was \$5,848,478 as of June 2, 2022. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS”). The District anticipates that the foregoing factors and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer will enable it to meet the debt service requirements on the Outstanding Bonds and the Bonds without increasing the debt service tax rate above combined 2022 Road System, Utility System and parks approximate debt service tax rate which the District anticipates levying for 2022 - \$0.90 per \$100 of Assessed Valuation; however, the District can make no representation that the taxable property values will increase in the future or will maintain a value sufficient to support the aforementioned tax rate. See “THE BONDS - Source of Payment” and “TAXING PROCEDURES.” In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.” See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

### Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2021 taxes levied upon property located within the District, plus the District’s 2021 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<b><u>Taxing Jurisdiction</u></b>	<b><u>2021 Tax Rate Per \$100 of A.V.</u></b>
The District <sup>(i)</sup>	\$1.31000
Harris County	0.37693
Harris County Department of Education	0.00499
Harris County Flood Control District	0.03349
Harris County Hospital District	0.16221
Port of Houston Authority	0.00872
Humble Independent School District	1.33890
Lone Star College System	0.10780
Harris County Emergency Service District No. 1	0.09721
Harris County Emergency Service District No. 46	<u>0.10000</u>
Total Tax Rate	\$3.54025

<sup>(i)</sup> The District levied a total tax of \$1.31 per \$100 of Assessed Valuation for 2021, consisting of a debt service tax of \$0.81 per \$100 of Assessed Valuation and a maintenance tax of \$0.50 per \$100 of Assessed Valuation. The District anticipates levying a debt service tax for the Utility System and parks in the approximate amount of \$0.81 per \$100 of Assessed Valuation for 2022, a debt service tax for the Road System in the approximate amount of \$0.09 per \$100 of Assessed Valuation, plus a maintenance tax of approximately \$0.41 per \$100 of Assessed Valuation. Thus the 2022 combined debt service tax rate is expected to be approximately \$0.90 per \$100 of Assessed Valuation.

## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

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

### **Property Tax Code and County-wide Appraisal District**

Title I of the Texas Tax Code (the “Property Tax Code”), specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing values established by the appraisal district. The Harris County Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

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

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



**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not granted a general residential homestead exemption for 2022. See “TAX DATA - Exemptions.”

**Freeport Goods Exemption:** A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in- Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal for all prior and subsequent years.

## **Tax Abatement**

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

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business

are 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

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

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

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code.

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.

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become

delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

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

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

#### *Special Taxing Units*

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

#### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. 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. For the 2021 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

### **Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

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

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

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

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

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least one-

fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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

## **THE ROAD SYSTEM**

The Road System is being and will be financed with a portion of the proceeds of the Series 2021A Road Bonds and additional bonds issued for such purpose. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt." Construction of the District's roads is subject to certain regulations of Harris County, Texas. To date, construction of the Road System includes, but is not limited to the following: all major thoroughfare and collector roadways within The Groves subdivision (Sections 1 through 39). The Developer, on behalf of the District, has constructed 3 miles of Madera Run Parkway from West Lake Houston Parkway to Woodland Hills Drive. It has also constructed a half mile of Timber Forest Drive extending from the northern boundary of the District to the southern boundary of the District, and a traffic signal and related improvements at the intersection of West Lake Houston Parkway and Madera Run Parkway. The major thoroughfare and collector roadway systems for The Groves subdivision are only partially constructed to date. The roads constructed within the District have been accepted by Harris County for maintenance. The roads located within the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade.

## **THE UTILITY SYSTEM**

### **Regulation**

According to the District's Engineer, the Utility System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The total number of equivalent single-family connections ("ESFCs") currently projected for the District at the full development of its current area of approximately 981.67 acres of land is 2,697 with a total estimated population of 9,440.

### **Description**

The Utility System presently serves the 1,856 fully developed single-family residential lots located in The Groves, Sections 1 through 39 in the District as is enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District financed the culvert crossing at Union Pacific Railroad and Harris County Flood Control District Unit No. G103-55-99 to serve the District, Lift Station No. 1, Phase 1; wastewater treatment plant expansion; lease payments for future wastewater treatment plant expansion; The Groves Drainage Channel, Phase 1; The Groves offsite utilities, a surface water transmission line along West Lake Houston Parkway; a surface water transmission line within City of Houston water plant site; components of the Utility System to serve The Groves, Sections 1 through 12, 14 through 16, 18 through 21 and 23, the West Lake Houston Parkway Intersection, Madera Run Parkway Street Dedication, Sections 1 through 5, Greenbeck Boulevard Street Dedication, Section 1 and The Groves storm water quality trash rack; land costs for drainage channel reserves; the cost of The Groves, Section 7 Fernbank Forest Culvert crossing; lease payments for the future wastewater treatment plant; clearing and grubbing to serve The Groves drainage channel, Phase 1, The Groves off-site utilities, The Groves, Sections 1 through 13, 15, 16, and 18 through 24, The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, offsite utilities and drainage ditch along Union Pacific Railroad, Kings Parkway, Madera Run Parkway Street Dedication, Sections 1 and 4 through 6, Madera Run Parkway to the 15-acre school site, and Timber Forest Drive Street Dedication, Sections 3 and 4; The Groves Drainage Reserves Nos. 3, 4, and 5, Phases 1 and 2, off-site 18-inch sanitary trunk and 16-inch water transmission line; ditch along Union Pacific Railroad, Timber Forest Drive Street dedication, Section 3 and Madera Run Parkway Street dedication, Section 2; and water, wastewater and drainage capital cost payments to Harris County Municipal Utility District No. 412 ("HCMUD No. 412") for participation in existing water, sewer and drainage facilities, construction of the culvert crossing at Union Pacific Railroad and Harris

County Flood Control District Unit No. G103-55-99 to serve the District; water supply and distribution, components of the Utility System to serve The Groves, Sections 13, 17, 24 and 27; Phase 1 construction for The Groves Drainage Reserves Nos. 6, 7 and 8; clearing and grubbing for The Groves Drainage Reserves Nos. 6, 7 and 8, and The Groves, Sections 17, 25 and 26; Madera Run Parkway Street Dedication, Section 6; Timber Forest Drive Street Dedication, Section 4; Storm Water Pollution Prevention; construction and land costs for Lift Station No. 2; HCMUD No. 412 water treatment plant expansion; remaining expenses for the surface water transmission line along West Lake Houston Parkway; and lease payments for the future wastewater treatment plant expansion; major thoroughfare and collector roads located within the District, particularly: (a) Madera Run Parkway Street Dedication, Sections 1, 2, 3 and 4; Timber Forest Drive Street Dedication, Section 3; West Lake Houston Parkway Intersection; The Groves, Section 7 Fernbank Forest Drive Culvert; and collector roads within The Groves, Sections 1, 3, 7 and 8; and (b) clearing and grubbing for The Groves, Sections 1 through 5, 7, and 8, Kings Parkway, Madera Run Parkway Street Dedication, Sections 1, 4 and 5, Madera Run Parkway up to the 15-acre school site, and Timber Forest Drive Street Dedication, Section 3; and right-of-way land and land interest costs for The Groves, Sections 1, 3, 7 and 8, Madera Run Parkway Street Dedication, Sections 1 through 3, and Timber Forest Drive Street Dedication, Section 3, among other items, with the proceeds of the sale of the Prior Bonds. The District will finance components of the Utility System to serve The Groves, Sections 25, 26, 28 and 29; HCMUD No. 412 water treatment plant expansion; HCMUD No. 412 wastewater treatment plant Phase 3 expansion; construction and land costs for Lift Station No. 3; Woodland Hills Drive trunk utilities; The Groves Drainage Reserve No. 8 Phase 2 utilities; clearing and grubbing for The Groves Drainage Reserve No. 8 Phase 2 and The Groves, Section 29; and lease payments for the future wastewater treatment plant expansion, among other items, with the proceeds of the sale of the Bonds. In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM), the District expects to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt," "THE UTILITY SYSTEM" and "THE ROAD SYSTEM."

## **Wastewater Treatment**

The District and HCMUD No. 412 have entered into an agreement to share capacity in and costs of a wastewater treatment plant and water supply facilities, to serve the District and HCMUD No. 412, located within HCMUD No. 412's boundaries. All costs of the provision of wastewater treatment capacity will be shared by the District and HCMUD No. 412 on a pro-rata basis based upon the number of connections of each district served by the wastewater treatment plant. The District and HCMUD No. 412 currently provide wastewater treatment with an interim facility which contains 950,000 gallons-per-day ("g.p.d.") of capacity, the acquisition of which the District financed with a portion of the proceeds of the sale of the Prior Bonds. According to the District's Engineer, assuming usage of 200 g.p.d. per ESFC, the capacity in the wastewater treatment plant is sufficient to provide service to 4,750 ESFCs, including all 1,805 existing ESFCs located in the District, 1,280 existing ESFCs located in HCMUD No. 412, plus 1,665 additional ESFCs.

## **Water Supply**

In accordance with the Water Facility Cost Sharing Agreement between HCMUD No. 412 and the District, the District owns an equitable interest in water supply facilities located within HCMUD No. 412's boundaries. The sources of water are groundwater from two wells at the water plant as well as surface water capacity of 166,667 g.p.d. provided by the City of Houston pursuant to the "City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris Galveston Coastal Subsidence District" dated February 14, 2007, including capacity increase approval letters from the City of Houston dated January 26, 2009, May 24, 2011, March 11, 2015, and March 31, 2016. In June 2020, the District completed an expansion of the water supply facility including the addition of a 285,000 gallon ground storage tank and 35,000 gallon hydropneumatic tank. The District recently completed construction of a 2,000 gallon per minute ("g.p.m.") groundwater well and 1,500 g.p.m. booster pump.

The existing water supply facilities include 2,750 g.p.m. in total well capacity, 1,800 g.p.m. of City of Houston surface water capacity, 7,200 g.p.m. in booster pump capacity, 855,000 gallons in ground storage capacity, and 65,000 gallons of hydropneumatics tank capacity. According to the District's Engineer, the expanded water plant facilities will provide sufficient capacity to serve 3,600 ESFCs, including all 1,805 existing connections located in the District, 1,280 connections located in HCMUD No. 412, plus 515 additional connections. All costs of production of water are shared by the District

and HCMUD No. 412 on a pro rata basis based upon the number of connections of each district to the water supply facilities. The District financed the acquisition of its capacity in such water facilities with a portion of the proceeds of the Prior Bonds.

### **Drainage Improvements**

Storm water drainage for the District is collected by a network of internal collection facilities that drain into Harris County Flood Control District Channel (G103-55-99), which ultimately empties into Lake Houston on the east side of the District. The District has constructed a drainage channel and storm water quality facilities. The District acquired its pro-rata share of the drainage channel owned by HCMUD No. 412 with a portion of the proceeds of the Prior Bonds and is financing the acquisition of its pro-rata share of such facilities with a portion of the proceeds of the sale of the Bonds. All costs of the drainage channel will be shared by the District and HCMUD No. 412 on a pro-rata basis based upon the number of connections served by the joint drainage facilities.

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

According to Federal Emergency Management Agency (“FEMA”) Flood Insurance Rate Map (“FIRM”) panels 48201C0510L, effective June 18, 2007, and 48201C0505M, effective June 9, 2014, approximately 0.2 acres of the District’s developable land is located within the official 100-year flood plain (zone AE). The 100-year flood plain is located on the western edge of the District adjacent to Harris County Flood Control District Channel Williams Gully (P130-02-00).

FIRM means an official map of a community on which 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.

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See “Tax Collection Limitations” and “Registered Owners' Remedies and Bankruptcy” below and “THE BONDS - Source of Payment” and “ - Registered Owners' Remedies.”

## Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development of the District is directly related to the vitality of the single and multi-family residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Further fluctuation in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing as well as the value of existing homes (see “Potential Effects of Oil Price Fluctuation on the Houston Area” below). Decreased levels of home construction activity would restrict the growth of property values in the District. Although development of the District has occurred to date as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “DEVELOPER,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

**National Economy:** The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development in the District has occurred as is described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “DEVELOPER,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing markets or a downturn in the national housing and financial markets may have on the Houston market generally and the District specifically. See “TAXING PROCEDURES.”

**Credit Markets and Liquidity in the Financial Markets:** Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 20 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District’s property tax base.

**Developer/Builder/Landowner Obligation to the District:** The ability of Houston Groves Residential LLC (defined under “THE DEVELOPER”) or any other principal taxpayer within the District (see “TAX DATA - Principal 2021 Taxpayers”) to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of Ashlar or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See “FUTURE DEVELOPMENT.”

## Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds



will be \$4,197,025 (2048) and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds will be \$4,168,248 (2023 through 2051, inclusive). The District's 2021 Assessed Valuation of property located within the District is \$503,585,136. Assuming no increase to nor decrease from the 2021 Assessed Valuation and the issuance of no additional bonds by the District, a tax rate of \$0.88 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements. The District's 2022 Preliminary Valuation of property located within the District is \$724,492,330. Assuming no increase to nor decrease from the 2022 Preliminary Valuation and the issuance of no additional bonds by the District, a tax rate of \$0.61 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements. The Estimated Valuation at May 1, 2022, of property located within the District supplied by the Appraisal District is \$753,916,790. Assuming no increase to nor decrease from the Estimated Valuation at May 1, 2022, and the issuance of no additional bonds by the District, a tax rate of \$0.59 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements. See "TAX DATA - Tax Rate Calculations."

The District levied a debt service tax of \$0.81 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.50 per \$100 of Assessed Valuation for 2021. The District anticipates levying a debt service tax for the Utility System and parks in the approximate amount of \$0.81 per \$100 of Assessed Valuation for 2022, a debt service tax for the Road System in the approximate amount of \$0.09 per \$100 of Assessed Valuation, plus a maintenance tax of approximately \$0.41 per \$100 of Assessed Valuation. Thus the 2022 combined debt service tax rate is expected to be approximately \$0.90 per \$100 of Assessed Valuation. As the above calculations indicate, the anticipated approximate combined 2022 Road System, Utility System and parks debt service tax rate will be sufficient to pay debt service on the Outstanding Bonds and the Bonds given taxable values in the District at the level of the 2022 Preliminary Valuation or the Estimated Valuation at May 1, 2022, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. See "TAXING PROCEDURES." In addition, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.97% of its 2014 through 2020 tax levies as of April 30, 2022, and the 2021 tax levy is 98.29% collected as of such date. Moreover, the District's Debt Service Fund balance was \$5,848,478 as of June 2, 2022. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS"). The District anticipates that the foregoing factors and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer will enable it to meet the debt service requirements on the Outstanding Bonds and the Bonds without increasing the debt service tax rate above the combined 2022 Road System, Utility System and parks debt service tax rate which the District anticipates levying for 2022 - \$0.90 per \$100 of Assessed Valuation; however, the District can make no representation that the taxable property values will increase in the future or will maintain a value sufficient to support the aforementioned tax rate. See "THE BONDS - Source of Payment" and "TAXING PROCEDURES." Increases in the District's tax rate to higher levels than the total \$1.31 per \$100 of Assessed Valuation rate which the District levied for 2021 and anticipates levying for 2022 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 rate, is \$3.54025 per \$100 of Assessed Valuation. Such aggregate rates are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District

and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all local taxing authorities which have parity liens on the 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. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. 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 Resolution may not be reduced to a judgment for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies" and - "Bankruptcy Limitations to Registered Owners' Rights."

The District may not be placed into bankruptcy involuntarily.

### **Marketability**

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

### **Future Debt**

The District reserved in the Bond Resolution the right to issue the remaining \$175,380,000 in unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities and for refunding such bonds, the \$122,480,000 for road facilities and refunding such bonds, the \$40,700,000 for parks and recreational facilities and for refunding such bonds, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$175,380,000 in bonds for waterworks, wastewater and drainage facilities and \$40,700,000 for parks and recreational facilities is also subject to TCEQ authorization. In addition to the components of the Systems that the District has financed with portions of the proceeds of the sale of the Prior Bonds, and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM), the District expects

to finance the acquisition or construction of additional components of the Systems with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “THE UTILITY SYSTEM” and “THE ROAD SYSTEM.”

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Voters in the District have authorized \$40,700,000 in unlimited tax bonds for park and recreational facilities, none of which bonds have been issued to date. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park and recreational facility bonds, the outstanding principal amount of any such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

The District's Engineer currently estimates that the aforementioned \$175,380,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities and refunding of the same to serve all the remaining undeveloped portions of the District. See “Maximum Impact on District Tax Rates” above, “THE BONDS,” “FUTURE DEVELOPMENT,” “DEVELOPMENT AND HOME CONSTRUCTION” and “THE UTILITY SYSTEM.” If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS - Issuance of Additional Debt.”

### **Competitive Nature of Houston Residential Housing Market**

The housing and apartment industry in the Houston metropolitan area, including the City of Houston, is very competitive, and the District can give no assurance that the building programs which are planned by the Builders or any future home builder(s) will be continued or completed. The respective competitive positions of the Developer and the Builders and any other developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single family residential units or apartments are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

### **Approval of the Bonds**

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

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

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

### **Environmental Regulations**

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

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

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

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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 “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. 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.

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, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal itself has become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

### **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, including the District, 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. However, according to the District’s Operator and Engineer, the District’s System did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District’s Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District.

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, 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.

## **Infectious Disease Outbreak (COVID-19)**

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

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

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

## **Changes in Tax Legislation**

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

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the unqualified 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 Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion will also address the matters described below under “TAX MATTERS.”

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for the information under the subheadings “Book-Entry-Only System” and “Use and Distribution of Bond Proceeds”), “THE DISTRICT - General,” “ - Management of the District - Bond Counsel and General Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, procedures and the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the

City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

#### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, that, to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

#### **No Material Adverse Change**

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

### **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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



interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

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

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

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made by the District as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

The financial statements of the District as of June 30, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the Systems, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM" has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Assessments of the Southwest and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

### **Certification as to Official Statement**

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit

to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA," and in "APPENDIX B - Independent Auditor's Report and Financial Statements." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2022.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **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

determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution 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**

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

### **Limitations and Amendments**

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

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

### **Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 504 as of the date shown on the first page hereof.

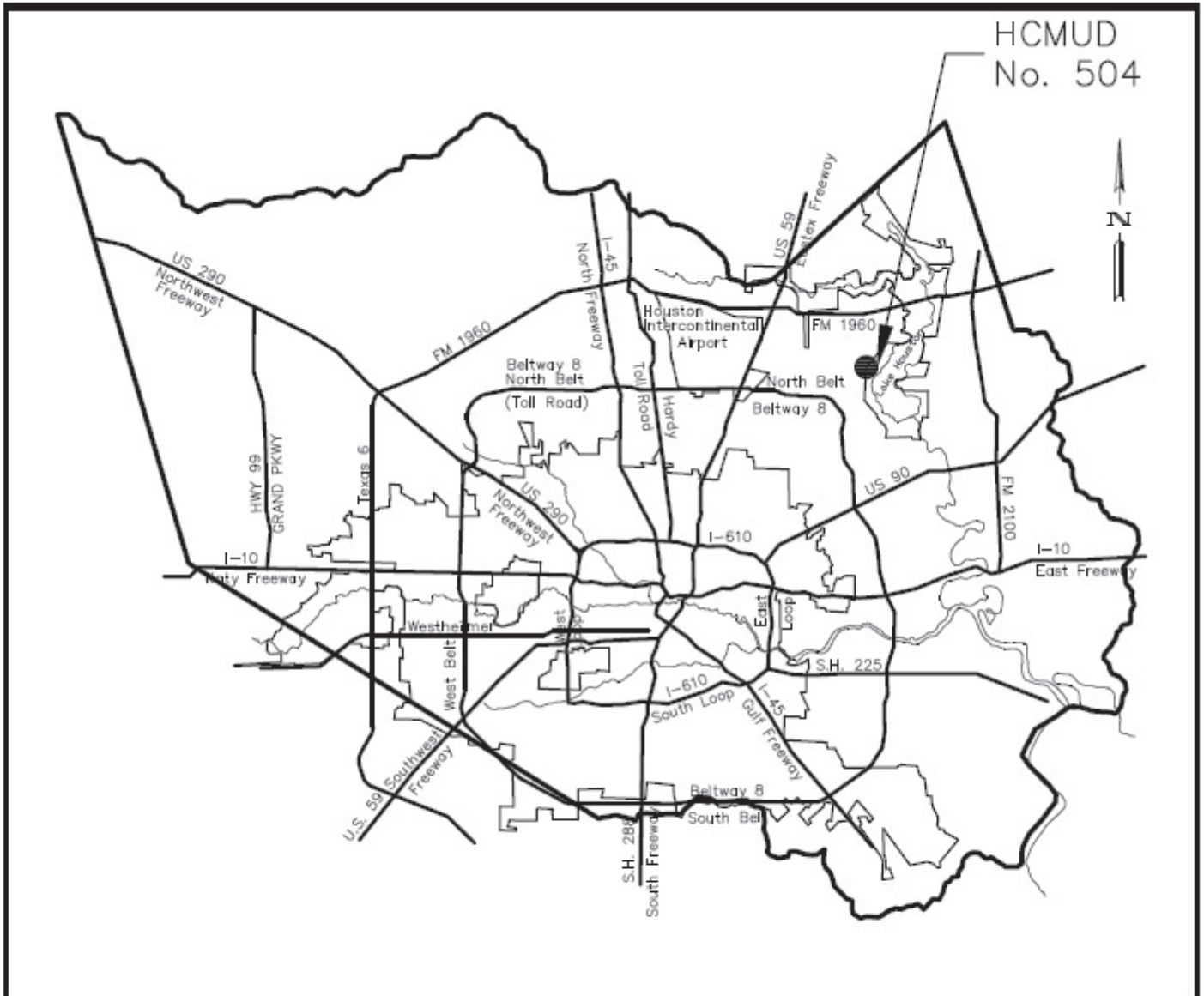
/s/ Ebony McGowen  
Vice President, Board of Directors  
Harris County Municipal Utility District No. 504

ATTEST:

/s/ Kedrin Bell  
Secretary, Board of Directors  
Harris County Municipal Utility District No. 504



APPENDIX A  
LOCATION MAP



HCMUD No. 504 LOCATION MAP





**APPENDIX B**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 504**  
**HARRIS COUNTY, TEXAS**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**JUNE 30, 2021**



# **Harris County Municipal Utility District No. 504**

Harris County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2021





# Harris County Municipal Utility District No. 504

June 30, 2021

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## Independent Auditor's Report

Board of Directors  
Harris County Municipal Utility District No. 504  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 504 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

*Other 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
November 10, 2021

# Harris County Municipal Utility District No. 504

## Management's Discussion and Analysis

### June 30, 2021

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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



# Harris County Municipal Utility District No. 504

## Management's Discussion and Analysis (Continued)

### June 30, 2021

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

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

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

#### **Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2021**

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

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

**Summary of Net Position**

	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 10,061,432	\$ 6,262,783
Capital assets	41,901,583	38,995,068
Total assets	<b>\$ 51,963,015</b>	<b>\$ 45,257,851</b>
Long-term liabilities	\$ 77,971,180	\$ 67,998,197
Other liabilities	1,323,951	866,218
Total liabilities	79,295,131	68,864,415
Net position:		
Net investment in capital assets	(35,270,854)	(28,541,481)
Restricted	3,814,328	2,249,446
Unrestricted	4,124,410	2,685,471
Total net position	<b>\$ (27,332,116)</b>	<b>\$ (23,606,564)</b>

The total net position of the District decreased by \$3,725,552, or about 16 percent. The decrease in net position is primarily related to the conveyance of capital assets to another governmental entity for ownership and maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Changes in Net Position**

	<b>2021</b>	<b>2020</b>
Revenues:		
Property taxes	\$ 5,191,681	\$ 3,871,930
Charges for services	1,337,501	1,010,462
Other revenues	863,635	714,783
Total revenues	7,392,817	5,597,175

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2021**

**Summary of Changes in Net Position (Continued)**

	<b>2021</b>	<b>2020</b>
Expenses:		
Services	\$ 3,392,849	\$ 2,730,207
Conveyance of capital assets	3,519,968	4,798,012
Purchase of capacity	1,056,998	434,621
Depreciation	984,907	936,671
Debt service	2,163,647	1,840,641
Total expenses	11,118,369	10,740,152
Change in net position	(3,725,552)	(5,142,977)
Net position, beginning of year	(23,606,564)	(18,463,587)
Net position, end of year	\$ (27,332,116)	\$ (23,606,564)

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

The District's combined fund balances as of the end of the fiscal year ended June 30, 2021, were \$8,942,287, an increase of \$3,168,613 from the prior year.

The general fund's fund balance increased by \$1,359,579. This increase was primarily due to property tax and service revenues exceeding service operation expenditures. In addition, tap connection revenues exceeded the related tap connection expenditures.

The debt service fund's fund balance increased by \$1,470,903, primarily due to property tax revenues generated exceeding principal and interest payments on the District's bonded indebtedness.

The capital project fund's fund balance increased by \$338,131. This increase was primarily due to proceeds received from the sale of the District's Series 2020 Unlimited Tax Bonds and the 2020 Bond Anticipation Note being greater than capital outlay expenditures, debt issuance costs, repayment of developer advances and the redemption of the 2019 Bond Anticipation Note.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax and service revenues, tap connection and inspection fee revenues and related expenditures, and repairs and maintenance expenditures being greater than anticipated. The fund balance as of June 30, 2021, was expected to be \$3,384,318 and the actual end-of-year fund balance was \$4,017,897.

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2021**

**Capital Assets and Related Debt**

Capital Assets

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

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2021</b>	<b>2020</b>
Land and improvements	\$ 12,512,266	\$ 11,299,075
Construction in progress	27,823	-
Water facilities	8,142,054	7,083,399
Wastewater facilities	11,636,327	10,273,054
Drainage facilities	2,665,284	2,644,285
Recreational facilities	112,465	119,081
Roads	6,805,364	7,576,174
Total capital assets	\$ 41,901,583	\$ 38,995,068

During the current year, additions to capital assets were as follows:

Water and sewer facilities to serve The Groves, Sections 13, 17, 24, 27, and 31-38; Madera Run Parkway street dedication, Section 6 and Timber Forest Drive street dedication, Section 4	\$ 1,625,748
Water treatment plant expansion and surface water transmission line	533,587
Clearing and grubbing to serve The Groves, Sections 6-8, 17, 25, 26, 31 and 38	119,598
Lift pump Nos. 1-3	42,943
Construction in progress related to Madera Run Parkway water line relocation and 14" effluent force main	27,823
Lift station No. 1 expansion and lift station No. 2	199,510
Wastewater treatment plant expansion, Phase 3	502,594
Drainage facilities to serve Madera Run Parkway, Section 6	86,234
Paving for The Groves, Sections 17 and 38	284,770
Purchase of land for drainage reserves Nos. 6, 7, and 8, Phases 1 and 2, and 0.2637-acre lift station No. 2 reserve A site	1,093,593
Total additions to capital assets	\$ 4,516,400

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2021**

The developer within the District has constructed water, sewer, drainage, recreational and road facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of June 30, 2021, a liability for developer-constructed capital assets of \$27,099,810 was recorded in the government-wide financial statements.

Since inception, the developer has advanced \$30,000 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2021, are summarized as follows:

Long-term debt payable, beginning of year	\$ 67,998,197
Increases in long-term debt	25,977,990
Decreases in long-term debt	16,005,007
Long-term debt payable, end of year	\$ 77,971,180

At June 30, 2021, the District had \$203,380,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, \$131,380,000 of unlimited tax bonds authorized, but unissued, for financing and constructing road facilities, and \$40,700,000 of unlimited tax bonds authorized, but unissued, for financing and constructing recreational facilities.

The District's bonds carry an underlying rating of "Baa2" from Moody's Investors Service. The Series 2017, 2018 and 2019 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

**Other Relevant Factors**

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent if the City complies with the requirements of Chapter 43, Texas Local Government Code, as amended, which may include voter approval. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

**Harris County Municipal Utility District No. 504**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2021**

Contingencies

The developer of the District is constructing water, sewer, drainage, recreational and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$6,635,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On September 2, 2021, the District sold its Series 2021 Unlimited Tax Bonds in the amount of \$15,000,000 at a net effective interest rate of approximately 2.358 percent. The bonds were sold to repay the District's developer for construction projects financed within the District and to redeem the Series 2020 Bond Anticipation Note.

**Harris County Municipal Utility District No. 504**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>						
Cash	\$ 255,678	\$ 275,595	\$ 77,364	\$ 608,637	\$ -	\$ 608,637
Certificates of deposit	1,477,038	494,102	-	1,971,140	-	1,971,140
Short-term investments	2,504,775	3,080,074	1,181,476	6,766,325	-	6,766,325
Receivables:						
Property taxes	106,513	147,384	-	253,897	-	253,897
Service accounts	232,053	-	-	232,053	-	232,053
Accrued penalty and interest	-	-	-	-	45,065	45,065
Accrued interest	1,978	708	-	2,686	-	2,686
Interfund receivables	56,091	8,560	-	64,651	(64,651)	-
Due from others	112,216	-	-	112,216	-	112,216
Prepaid expenditures	4,313	-	65,100	69,413	-	69,413
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	12,512,266	12,512,266
Construction in progress	-	-	-	-	27,823	27,823
Infrastructure	-	-	-	-	22,443,665	22,443,665
Recreational facilities	-	-	-	-	112,465	112,465
Roads	-	-	-	-	6,805,364	6,805,364
<b>Total assets</b>	<b>\$ 4,750,655</b>	<b>\$ 4,006,423</b>	<b>\$ 1,323,940</b>	<b>\$ 10,081,018</b>	<b>\$ 41,881,997</b>	<b>\$ 51,963,015</b>

**Harris County Municipal Utility District No. 504**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**June 30, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 300,234	\$ 195,833	\$ 6,665	\$ 502,732	\$ -	\$ 502,732
Accrued interest payable	-	-	-	-	503,768	503,768
Customer deposits	224,568	-	-	224,568	-	224,568
Due to others	2,983	-	-	2,983	-	2,983
Unearned tap connection fees	89,900	-	-	89,900	-	89,900
Interfund payables	8,560	-	56,091	64,651	(64,651)	-
Long-term liabilities:						
Due within one year	-	-	-	-	585,000	585,000
Due after one year	-	-	-	-	77,386,180	77,386,180
<b>Total liabilities</b>	<b>626,245</b>	<b>195,833</b>	<b>62,756</b>	<b>884,834</b>	<b>78,410,297</b>	<b>79,295,131</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	106,513	147,384	0	253,897	(253,897)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	4,313	-	65,100	69,413	(69,413)	-
Restricted:						
Unlimited tax bonds	-	3,663,206	-	3,663,206	(3,663,206)	-
Water, sewer and drainage	-	-	1,196,084	1,196,084	(1,196,084)	-
Assigned, operating reserve	95,000	-	-	95,000	(95,000)	-
Unassigned	3,918,584	-	-	3,918,584	(3,918,584)	-
<b>Total fund balances</b>	<b>4,017,897</b>	<b>3,663,206</b>	<b>1,261,184</b>	<b>8,942,287</b>	<b>(8,942,287)</b>	<b>0</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,750,655</b>	<b>\$ 4,006,423</b>	<b>\$ 1,323,940</b>	<b>\$ 10,081,018</b>		
Net position:						
Net investment in capital assets					(35,270,854)	(35,270,854)
Restricted for debt service					3,351,887	3,351,887
Restricted for capital projects					462,441	462,441
Unrestricted					4,124,410	4,124,410
<b>Total net position</b>					<b>\$ (27,332,116)</b>	<b>\$ (27,332,116)</b>



**Harris County Municipal Utility District No. 504**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 1,946,225	\$ 3,045,169	\$ -	\$ 4,991,394	\$ 200,287	\$ 5,191,681
Water service	868,117	-	-	868,117	-	868,117
Sewer service	469,384	-	-	469,384	-	469,384
Penalty and interest	12,828	25,039	-	37,867	33,508	71,375
Tap connection and inspection fees	715,541	-	-	715,541	-	715,541
Investment income	18,478	4,024	1,220	23,722	-	23,722
Other income	7,240	-	-	7,240	45,757	52,997
	<u>4,037,813</u>	<u>3,074,232</u>	<u>1,220</u>	<u>7,113,265</u>	<u>279,552</u>	<u>7,392,817</u>
Total revenues						
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	854,289	-	-	854,289	-	854,289
Professional fees	161,713	8,275	-	169,988	228,155	398,143
Contracted services	359,044	56,286	-	415,330	2,000	417,330
Utilities	15,402	-	-	15,402	-	15,402
Repairs and maintenance	841,846	-	-	841,846	-	841,846
Tap connections	365,591	-	-	365,591	-	365,591
Lease payments	-	-	-	-	406,500	406,500
Other expenditures	72,696	18,868	184	91,748	2,000	93,748
Capital outlay	65,410	-	12,863,588	12,928,998	(12,928,998)	-
Purchase of capacity	-	-	-	-	1,056,998	1,056,998
Conveyance of capital assets	-	-	-	-	3,519,968	3,519,968
Depreciation	-	-	-	-	984,907	984,907
Debt service:						
Principal retirement	-	205,000	6,280,000	6,485,000	(6,485,000)	-
Interest and fees	-	1,314,900	75,257	1,390,157	93,230	1,483,387
Debt issuance costs	-	-	680,260	680,260	-	680,260
	<u>2,735,991</u>	<u>1,603,329</u>	<u>19,899,289</u>	<u>24,238,609</u>	<u>(13,120,240)</u>	<u>11,118,369</u>
Total expenditures/expenses						
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,301,822</u>	<u>1,470,903</u>	<u>(19,898,069)</u>	<u>(17,125,344)</u>	<u>13,399,792</u>	

**Harris County Municipal Utility District No. 504**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended June 30, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>						
Interfund transfers in (out)	\$ 12,000	\$ -	\$ (12,000)	\$ -	\$ -	
Repayment of developer advances	-	-	(100,000)	(100,000)	100,000	
Insurance proceeds	45,757	-	-	45,757	(45,757)	
General obligation bonds issued	-	-	12,060,000	12,060,000	(12,060,000)	
Discount on debt issued	-	-	(361,800)	(361,800)	361,800	
Bond anticipation note issued	-	-	8,650,000	8,650,000	(8,650,000)	
	<u>57,757</u>	<u>0</u>	<u>20,236,200</u>	<u>20,293,957</u>	<u>(20,293,957)</u>	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	1,359,579	1,470,903	338,131	3,168,613	(3,168,613)	
<b>Change in Net Position</b>					(3,725,552)	\$ (3,725,552)
<b>Fund Balances/Net Position</b>						
Beginning of year	<u>2,658,318</u>	<u>2,192,303</u>	<u>923,053</u>	<u>5,773,674</u>	-	<u>(23,606,564)</u>
End of year	<u>\$ 4,017,897</u>	<u>\$ 3,663,206</u>	<u>\$ 1,261,184</u>	<u>\$ 8,942,287</u>	<u>\$ 0</u>	<u>\$ (27,332,116)</u>

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

### June 30, 2021

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Harris County Municipal Utility District No. 504 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective March 3, 2009, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, road and recreational facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

#### ***Government-wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

### June 30, 2021

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services, and interest income.

*Debt Service Fund* – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

#### **Fund Balances – Governmental Funds**

The fund balances for the District's governmental funds can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

**Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

June 30, 2021

### ***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

### ***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

### ***Use of 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 amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### ***Investments and Investment Income***

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

### ***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2021, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

### June 30, 2021

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2021, the 2020 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

#### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Roads	10-25
Recreational facilities	10-25

#### **Debt Issuance Costs**

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

#### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

### June 30, 2021

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

#### **Net Position/Fund Balances**

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

#### **Reconciliation of Government-wide and Fund Financial Statements**

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 41,901,583
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	253,897
Penalty and interest on delinquent taxes is not receivable in the current period and is not reportable in the funds.	45,065
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(503,768)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(77,971,180)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (36,274,403)</u></u>



**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 3,168,613
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation, noncapitalized costs, purchase of capacity and conveyance of capital assets in the current year.	6,728,470
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	100,000
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	361,800
Governmental funds report proceeds from the sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. For the statement of activities, these transactions do not have any effect on net position.	(14,225,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	233,795
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(93,230)</u>
Change in net position of governmental activities.	<u><u>\$ (3,725,552)</u></u>

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At June 30, 2021, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

At June 30, 2021, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexSTAR	\$ 6,766,325	\$ 6,766,325	\$ 0	\$ 0	\$ 0

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Credit Risk.** Credit risk is the risk that this issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the District's investments in TexSTAR were rated "AAAm" by Standard & Poor's.

***Summary of Carrying Values***

The carrying values of deposits and investments shown previously are included in the balance sheet at June 30, 2021, as follows:

Carrying value:	
Deposits	\$ 2,579,777
Investments	<u>6,766,325</u>
Total	<u><u>\$ 9,346,102</u></u>

Included in the following statement of net position captions:

Cash	\$ 608,637
Certificates of deposit	1,971,140
Short-term investments	<u>6,766,325</u>
Total	<u><u>\$ 9,346,102</u></u>

***Investment Income***

Investment income of \$23,722 for the year ended June 30, 2021, consisted of interest income.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2021, is presented below.

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:				
Land and improvements	\$ 11,299,075	\$ 1,213,191	\$ -	\$ 12,512,266
Construction in progress	-	27,823	-	27,823
Total capital assets, non-depreciable	<u>11,299,075</u>	<u>1,241,014</u>	<u>0</u>	<u>12,540,089</u>
Capital assets, depreciable:				
Water production and distribution facilities	7,552,415	1,255,119	-	8,807,534
Wastewater collection and treatment facilities	11,015,887	1,649,263	-	12,665,150
Drainage facilities	2,847,744	86,234	-	2,933,978
Recreational facilities	132,312	-	-	132,312
Roads	9,032,804	284,770	624,978	8,692,596
Total capital assets, depreciable	<u>30,581,162</u>	<u>3,275,386</u>	<u>624,978</u>	<u>33,231,570</u>
Less accumulated depreciation:				
Water production and distribution facilities	(469,016)	(196,464)	-	(665,480)
Wastewater collection and treatment facilities	(742,833)	(285,990)	-	(1,028,823)
Drainage facilities	(203,459)	(65,235)	-	(268,694)
Recreational facilities	(13,231)	(6,616)	-	(19,847)
Roads	(1,456,630)	(430,602)	-	(1,887,232)
Total accumulated depreciation	<u>(2,885,169)</u>	<u>(984,907)</u>	<u>0</u>	<u>(3,870,076)</u>
Total governmental activities, net	<u>\$ 38,995,068</u>	<u>\$ 3,531,493</u>	<u>\$ 624,978</u>	<u>\$ 41,901,583</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2021, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ 31,585,000	\$ 12,060,000	\$ 205,000	\$ 43,440,000	\$ 585,000
Less discounts on bonds	909,090	361,800	22,260	1,248,630	-
	<u>30,675,910</u>	<u>11,698,200</u>	<u>182,740</u>	<u>42,191,370</u>	<u>585,000</u>
Bond anticipation note	6,280,000	8,650,000	6,280,000	8,650,000	-
Developer advances	130,000	-	100,000	30,000	-
Due to developer	30,912,287	5,629,790	9,442,267	27,099,810	-
Total governmental activities long-term liabilities	<u>\$ 67,998,197</u>	<u>\$ 25,977,990</u>	<u>\$ 16,005,007</u>	<u>\$ 77,971,180</u>	<u>\$ 585,000</u>

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

**General Obligation Bonds**

	<b>Series 2015</b>	<b>Series 2017</b>
Amounts outstanding, June 30, 2021	\$4,955,000	\$4,595,000
Interest rates	2.00% to 4.10%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2044	September 1, 2021/2046
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2022	September 1, 2024
	<b>Series 2018</b>	<b>Series 2019</b>
Amounts outstanding, June 30, 2021	\$10,575,000	\$11,255,000
Interest rates	3.125% to 5.625%	3.00% to 5.50%
Maturity dates, serially beginning/ending	September 1, 2021/2047	September 1, 2021/2049
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates*	September 1, 2023	September 1, 2024
	<b>Series 2020</b>	
Amount outstanding, June 30, 2021	\$12,060,000	
Interest rates	2.00% to 4.50%	
Maturity dates, serially beginning/ending	September 1, 2022/2050	
Interest payment dates	September 1/March 1	
Callable date*	September 1, 2025	

\*Or any date thereafter, callable at par plus accrued interest to the date of redemption.

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

***Annual Debt Service Requirements***

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2021:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 585,000	\$ 1,435,603	\$ 2,020,603
2023	815,000	1,403,684	2,218,684
2024	850,000	1,365,519	2,215,519
2025	890,000	1,325,297	2,215,297
2026	930,000	1,285,442	2,215,442
2027-2031	5,265,000	5,878,347	11,143,347
2032-2036	6,320,000	4,984,182	11,304,182
2037-2041	7,600,000	3,870,513	11,470,513
2042-2046	9,160,000	2,478,280	11,638,280
2047-2051	11,025,000	826,593	11,851,593
	<u>11,025,000</u>	<u>826,593</u>	<u>11,851,593</u>
Total	<u>\$ 43,440,000</u>	<u>\$ 24,853,460</u>	<u>\$ 68,293,460</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

**Bonds voted:**

Water, sewer and drainage facilities and refunding	\$ 247,320,000
Roads and refunding	131,380,000
Recreational facilities and refunding	40,700,000

**Bonds sold:**

Water, sewer and drainage facilities	43,940,000
--------------------------------------	------------

***Due to Developer***

The developer of the District has constructed water, sewer, drainage, recreational and road facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$27,099,810. These amounts have been recorded in the financial statements as long-term liabilities.

***Developer Advances***

Since inception, the developer has advanced \$30,000 to the District for operations, net of repayments. These advances have been recorded as liabilities in the government-wide financial statements.

**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

***Bond Anticipation Note***

On December 17, 2020, the District sold its 2020 Bond Anticipation Note in the amount of \$8,650,000. The note is dated December 17, 2020, bears interest at the rate of 0.45 percent and matures December 16, 2021, unless called for early redemption. Subsequent to year-end, the Note was paid in full from the proceeds of the Series 2021 bonds.

**Note 5: Significant Bond Resolution and Commission Requirements**

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2021, the District levied an ad valorem debt service tax at the rate of \$0.8500 per \$100 of assessed valuation, which resulted in a tax levy of \$3,094,161 on the taxable valuation of \$364,018,968 for the 2020 tax year. The principal and interest requirements to be paid from the tax revenues are \$2,060,019 of which \$750,560 has been paid and \$1,309,459 is due September 1, 2021.
- B. During the current fiscal year, the District transferred \$12,000 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

**Note 6: Maintenance Taxes**

At an election held November 5, 2013, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended June 30, 2021, the District levied an ad valorem maintenance tax at the rate of \$0.5400 per \$100 of assessed valuation, which resulted in a tax levy of \$1,965,702 on the taxable valuation of \$364,018,968 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Wastewater Treatment Plant Lease**

On January 6, 2014, the District entered into a lease of a 395,000 gallons per-day (gpd) wastewater treatment plant. The initial term of the lease was for 60 months and called for monthly payments of \$18,600 and after the initial term, the lease continues for successive 90-day periods at a rate of \$12,500 per month. Payments are currently \$12,500 per month beginning March 2020. On February 10, 2020, the District entered into a lease for Phase III expansion of the wastewater treatment plant. The initial term of the lease is for 60 months after substantial completion of the expansion (which occurred during the current fiscal year), with monthly lease payments of \$26,300. After the initial term, the lease continues for successive 90-day periods at a rate of \$13,650 per month. Lease expenditures for the current fiscal year, which include set up and installation fees for Phase III, were \$406,500. Future minimum lease payments are 2022 - \$315,600; 2023 - \$315,600; 2024 - \$315,600; 2025 - \$315,600 and 2026 - \$184,100.

# Harris County Municipal Utility District No. 504

## Notes to Financial Statements

June 30, 2021

### **Note 8: Contracts With Other Governmental Units**

#### ***Water Facilities Agreement***

On May 18, 2010, the developer of the District entered into a Water Facilities Cost Sharing Agreement (Water Facilities Agreement) with Harris County Municipal Utility District No. 412 (District No. 412) and Harris County Municipal Utility District No. 505 (District No. 505). The Water Facilities Agreement provides for the construction and operation of joint water facilities to be utilized by the parties to the Water Facilities Agreement. Construction costs are to be allocated based upon each district's projected number of equivalent single-family connections (ESFCs) to be served by the water facilities. Operating costs are to be billed based upon each district's actual ESFCs. The District has remitted an operating reserve of \$75,000 to District No. 412 and has recorded expenditures of \$578,988 for the year ended June 30, 2021, under the terms of the Water Facilities Agreement.

#### ***Sanitary Sewer Facilities Agreement***

On May 18, 2010, the developer of the District entered into a Sanitary Sewer Facilities Cost Sharing Agreement (Sanitary Sewer Facilities Agreement) with District No. 412 and District No. 505. The Sanitary Sewer Facilities Agreement provides for the construction and operation of joint sanitary sewer facilities to be utilized by the parties to the Sanitary Sewer Facilities Agreement. Construction costs are to be allocated based upon each district's projected number of ESFCs to be served by the sewer facilities. Operating costs are to be billed based upon each district's actual ESFCs. The District has remitted an operating reserve of \$10,000 to District No. 412 and has recorded expenditures of \$208,397 for the year ended June 30, 2021, under the terms of the Sanitary Sewer Facilities Agreement.

#### ***Drainage Facilities Agreement***

On May 18, 2010, the developer of the District entered into a Drainage Facilities Cost Sharing Agreement (Drainage Facilities Agreement) with District No. 412 and District No. 505. The Drainage Facilities Agreement provides for the construction and operation of joint drainage facilities to be utilized by the parties to the Drainage Facilities Agreement. Construction costs are to be allocated based upon each district's acreage served by the facilities. Operating costs are to be billed based upon each district's acreage served by the components of the facilities. The District has remitted an operating reserve of \$10,000 to District No. 412 and has recorded expenditures of \$66,904 for the year ended June 30, 2021, under the terms of the Drainage Facilities Agreement.

### **Note 9: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.



**Harris County Municipal Utility District No. 504**  
**Notes to Financial Statements**  
**June 30, 2021**

**Note 10: Contingencies**

The developer of the District is constructing water, sewer, drainage, recreational and road facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$6,635,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Note 11: Subsequent Event**

On September 2, 2021, the District sold its Series 2021 Unlimited Tax Bonds in the amount of \$15,000,000 at a net effective interest rate of approximately 2.358 percent. The bonds were sold to repay the District's developer for construction projects financed within the District and to redeem the Series 2020 Bond Anticipation Note.

**Note 12: Uncertainties**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**

**Harris County Municipal Utility District No. 504**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2021**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 1,700,000	\$ 1,946,225	\$ 246,225
Water service	700,000	868,117	168,117
Sewer service	340,000	469,384	129,384
Penalty and interest	15,000	12,828	(2,172)
Tap connection and inspection fees	355,000	715,541	360,541
Investment income	35,000	18,478	(16,522)
Other	-	7,240	7,240
	<u>3,145,000</u>	<u>4,037,813</u>	<u>892,813</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	880,000	854,289	25,711
Professional fees	176,000	161,713	14,287
Contracted services	301,000	359,044	(58,044)
Utilities	12,500	15,402	(2,902)
Repairs and maintenance	656,000	841,846	(185,846)
Other expenditures	108,500	72,696	35,804
Tap connections	285,000	365,591	(80,591)
Capital outlay	-	65,410	(65,410)
	<u>2,419,000</u>	<u>2,735,991</u>	<u>(316,991)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>726,000</u>	<u>1,301,822</u>	<u>575,822</u>
<b>Other Financing Sources</b>			
Interfund transfers in	-	12,000	12,000
Insurance proceeds	-	45,757	45,757
	<u>0</u>	<u>57,757</u>	<u>57,757</u>
<b>Excess of Revenues and Transfers In Over Expenditures and Transfers Out</b>	<u>726,000</u>	<u>1,359,579</u>	<u>633,579</u>
<b>Fund Balances, Beginning of Year</b>	<u>2,658,318</u>	<u>2,658,318</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,384,318</u>	<u>\$ 4,017,897</u>	<u>\$ 633,579</u>

**Harris County Municipal Utility District No. 504**  
**Notes to Required Supplementary Information**  
**June 30, 2021**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during the fiscal year ended 2021.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

## **Other Information**

**Harris County Municipal Utility District No. 504**  
**Other Schedules Included Within This Report**  
**June 30, 2021**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 14-28
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

# Harris County Municipal Utility District No. 504

## Schedule of Services and Rates

### Year Ended June 30, 2021

1. Services provided by the District:

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

2. Retail service providers

a. Residential rates for a 5/8" meter (or equivalent) per the District's Rate Order dated January 1, 2018:

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 36.50	5,000	N	\$ 2.25	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.50	20,001 to No Limit
Wastewater:	\$ 30.00	0	Y		

Does the District employ winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage (including fees): Water \$ 47.75 Wastewater \$ 30.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-		-
≤ 3/4"	1,410	1,405	x1.0	1,405
1"	122	121	x2.5	303
1 1/2"	1	1	x5.0	5
2"	34	34	x8.0	272
3"	4	4	x15.0	60
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	1,573	1,567		2,205
Total wastewater	1,522	1,516	x1.0	1,516

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	165,995
Gallons billed to customers:	172,071
Water accountability ratio (gallons billed/gallons pumped):	103.66%

\*"ESFC" means equivalent single-family connections

**Harris County Municipal Utility District No. 504**  
**Schedule of General Fund Expenditures**  
**Year Ended June 30, 2021**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 18,300	
Legal	94,646	
Engineering	48,767	
Financial advisor	-	161,713
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		854,289
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	17,600	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	79,213	
Other contracted services	48,868	145,681
<b>Utilities</b>		15,402
<b>Repairs and Maintenance</b>		841,846
<b>Administrative Expenditures</b>		
Directors' fees	14,850	
Office supplies	22,982	
Insurance	12,824	
Other administrative expenditures	22,040	72,696
<b>Capital Outlay</b>		
Capitalized assets	65,400	
Expenditures not capitalized	10	65,410
<b>Tap Connection Expenditures</b>		365,591
<b>Lease Payments</b>		-
<b>Solid Waste Disposal</b>		213,363
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		-
Total expenditures		\$ 2,735,991



**Harris County Municipal Utility District No. 504**  
**Schedule of Temporary Investments**  
**June 30, 2021**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 633	0.55%	02/07/22	\$ 244,362	\$ 527
No. 95900011943317	0.70%	02/10/22	246,687	662
No. 6002400497	0.35%	03/09/22	244,320	265
No. 440011839	0.30%	03/17/22	243,771	210
No. 1852005005	0.45%	04/18/22	248,559	224
No. 36001385	0.25%	05/08/22	249,339	90
TexSTAR	0.01%	Demand	2,504,775	-
			<u>3,981,813</u>	<u>1,978</u>
<b>Debt Service Fund</b>				
Certificates of Deposit				
No. 33503	0.40%	11/08/21	246,998	633
No. 3216000597	0.20%	05/11/22	247,104	75
TexSTAR	0.01%	Demand	3,080,074	-
			<u>3,574,176</u>	<u>708</u>
<b>Capital Projects Fund</b>				
TexSTAR	0.01%	Demand	1,181,476	0
Totals			<u>\$ 8,737,465</u>	<u>\$ 2,686</u>

**Harris County Municipal Utility District No. 504**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended June 30, 2021**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 27,153	\$ 26,457
Additions and corrections to prior years' taxes	59,883	71,935
Adjusted receivable, beginning of year	87,036	98,392
 <b>2020 Original Tax Levy</b>	 1,662,898	 2,617,525
Additions and corrections	302,804	476,636
Adjusted tax levy	1,965,702	3,094,161
Total to be accounted for	2,052,738	3,192,553
Tax collections:		
Current year	(1,914,325)	(3,013,289)
Prior years	(31,900)	(31,880)
Receivable, end of year	\$ 106,513	\$ 147,384
 <b>Receivable, by Years</b>		
2020	\$ 51,377	\$ 80,872
2019	55,136	66,512
Receivable, end of year	\$ 106,513	\$ 147,384

**Harris County Municipal Utility District No. 504**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended June 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Property Valuations</b>				
Land	\$ 118,543,043	\$ 95,407,536	\$ 64,046,453	\$ 47,808,682
Improvements	258,507,594	178,947,807	115,156,085	70,760,819
Personal property	3,506,199	1,965,266	1,863,579	727,829
Exemptions	<u>(16,537,868)</u>	<u>(11,100,037)</u>	<u>(15,711,258)</u>	<u>(7,719,434)</u>
Total property valuations	<u>\$ 364,018,968</u>	<u>\$ 265,220,572</u>	<u>\$ 165,354,859</u>	<u>\$ 111,577,896</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.8500	\$ 0.7600	\$ 0.6900	\$ 0.6900
Maintenance tax rates*	<u>0.5400</u>	<u>0.6300</u>	<u>0.7000</u>	<u>0.7000</u>
Total tax rates per \$100 valuation	<u>\$ 1.3900</u>	<u>\$ 1.3900</u>	<u>\$ 1.3900</u>	<u>\$ 1.3900</u>
<b>Tax Levy</b>	<u>\$5,059,863</u>	<u>\$3,686,567</u>	<u>\$2,298,432</u>	<u>\$1,550,932</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<u>97%</u>	<u>96%</u>	<u>100%</u>	<u>100%</u>

\*Maximum tax rate approved by voters: \$1.50 on November 5, 2013

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

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years**  
**June 30, 2021**

Due During Fiscal Years Ending June 30	Series 2015		
	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ 110,000	\$ 190,656	\$ 300,656
2023	115,000	187,700	302,700
2024	120,000	184,319	304,319
2025	125,000	180,519	305,519
2026	130,000	176,340	306,340
2027	140,000	171,714	311,714
2028	145,000	166,636	311,636
2029	155,000	161,100	316,100
2030	160,000	155,095	315,095
2031	170,000	148,595	318,595
2032	180,000	141,595	321,595
2033	190,000	134,195	324,195
2034	200,000	126,395	326,395
2035	210,000	118,195	328,195
2036	220,000	109,595	329,595
2037	235,000	100,495	335,495
2038	245,000	90,773	335,773
2039	255,000	80,523	335,523
2040	270,000	69,895	339,895
2041	285,000	58,795	343,795
2042	300,000	46,945	346,945
2043	315,000	34,338	349,338
2044	330,000	21,115	351,115
2045	350,000	7,175	357,175
Totals	<u>\$ 4,955,000</u>	<u>\$ 2,862,703</u>	<u>\$ 7,817,703</u>

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2021**

Due During Fiscal Years Ending June 30	Series 2017		Total
	Principal Due September 1	Interest Due September 1, March 1	
2022	\$ 100,000	\$ 163,331	\$ 263,331
2023	105,000	160,256	265,256
2024	110,000	157,031	267,031
2025	110,000	153,731	263,731
2026	115,000	150,356	265,356
2027	115,000	146,907	261,907
2028	120,000	143,382	263,382
2029	120,000	139,782	259,782
2030	130,000	135,950	265,950
2031	130,000	131,807	261,807
2032	135,000	127,500	262,500
2033	135,000	123,029	258,029
2034	140,000	117,950	257,950
2035	145,000	112,250	257,250
2036	150,000	106,350	256,350
2037	155,000	100,250	255,250
2038	160,000	93,950	253,950
2039	165,000	87,656	252,656
2040	170,000	81,375	251,375
2041	175,000	74,906	249,906
2042	180,000	68,250	248,250
2043	185,000	61,406	246,406
2044	190,000	54,375	244,375
2045	195,000	47,156	242,156
2046	565,000	32,906	597,906
2047	595,000	11,156	606,156
Totals	<u>\$ 4,595,000</u>	<u>\$ 2,782,998</u>	<u>\$ 7,377,998</u>

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2021**

Due During Fiscal Years Ending June 30	Series 2018		
	Principal Due September 1	Interest Due September 1, March 1	Total
2022	\$ 205,000	\$ 409,853	\$ 614,853
2023	215,000	398,041	613,041
2024	220,000	385,806	605,806
2025	235,000	373,009	608,009
2026	245,000	359,509	604,509
2027	250,000	345,588	595,588
2028	260,000	331,244	591,244
2029	275,000	317,056	592,056
2030	280,000	305,806	585,806
2031	295,000	296,822	591,822
2032	305,000	287,256	592,256
2033	320,000	277,100	597,100
2034	335,000	266,247	601,247
2035	350,000	254,688	604,688
2036	365,000	242,394	607,394
2037	375,000	229,444	604,444
2038	395,000	215,969	610,969
2039	415,000	201,534	616,534
2040	430,000	186,219	616,219
2041	450,000	170,269	620,269
2042	470,000	153,593	623,593
2043	490,000	136,194	626,194
2044	510,000	117,750	627,750
2045	530,000	98,250	628,250
2046	560,000	77,812	637,812
2047	575,000	56,531	631,531
2048	1,220,000	22,875	1,242,875
Totals	<u>\$ 10,575,000</u>	<u>\$ 6,516,859</u>	<u>\$ 17,091,859</u>

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2021**

Due During Fiscal Years Ending June 30	Series 2019		Total
	Principal Due September 1	Interest Due September 1, March 1	
2022	\$ 170,000	\$ 358,563	\$ 528,563
2023	170,000	349,212	519,212
2024	185,000	339,450	524,450
2025	190,000	329,138	519,138
2026	200,000	320,912	520,912
2027	215,000	314,688	529,688
2028	230,000	308,012	538,012
2029	235,000	301,038	536,038
2030	250,000	293,762	543,762
2031	255,000	286,188	541,188
2032	265,000	278,387	543,387
2033	270,000	270,363	540,363
2034	275,000	262,187	537,187
2035	285,000	253,788	538,788
2036	290,000	245,162	535,162
2037	300,000	236,313	536,313
2038	310,000	227,162	537,162
2039	320,000	217,713	537,713
2040	330,000	207,962	537,962
2041	340,000	197,913	537,913
2042	345,000	187,422	532,422
2043	360,000	176,406	536,406
2044	370,000	165,000	535,000
2045	385,000	153,203	538,203
2046	395,000	141,016	536,016
2047	410,000	128,437	538,437
2048	420,000	115,469	535,469
2049	1,705,000	82,265	1,787,265
2050	1,780,000	27,813	1,807,813
Totals	<u>\$ 11,255,000</u>	<u>\$ 6,774,944</u>	<u>\$ 18,029,944</u>

**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2021**

Due During Fiscal Years Ending June 30	Series 2020		Total
	Principal Due September 1	Interest Due September 1, March 1	
2022	\$ -	\$ 313,200	\$ 313,200
2023	210,000	308,475	518,475
2024	215,000	298,913	513,913
2025	230,000	288,900	518,900
2026	240,000	278,325	518,325
2027	250,000	267,925	517,925
2028	255,000	260,375	515,375
2029	270,000	255,125	525,125
2030	275,000	249,675	524,675
2031	285,000	244,075	529,075
2032	290,000	238,325	528,325
2033	300,000	232,425	532,425
2034	310,000	226,325	536,325
2035	320,000	219,825	539,825
2036	335,000	212,656	547,656
2037	345,000	205,006	550,006
2038	350,000	197,187	547,187
2039	365,000	188,916	553,916
2040	375,000	179,894	554,894
2041	385,000	170,394	555,394
2042	400,000	160,581	560,581
2043	410,000	150,456	560,456
2044	430,000	139,956	569,956
2045	440,000	129,081	569,081
2046	455,000	117,894	572,894
2047	470,000	106,331	576,331
2048	485,000	94,394	579,394
2049	500,000	81,769	581,769
2050	505,000	68,578	573,578
2051	2,360,000	30,975	2,390,975
Totals	<u>\$ 12,060,000</u>	<u>\$ 5,915,956</u>	<u>\$ 17,975,956</u>



**Harris County Municipal Utility District No. 504**  
**Schedule of Long-Term Debt Service Requirements by Years (Continued)**  
**June 30, 2021**

Due During Fiscal Years Ending June 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 585,000	\$ 1,435,603	\$ 2,020,603
2023	815,000	1,403,684	2,218,684
2024	850,000	1,365,519	2,215,519
2025	890,000	1,325,297	2,215,297
2026	930,000	1,285,442	2,215,442
2027	970,000	1,246,822	2,216,822
2028	1,010,000	1,209,649	2,219,649
2029	1,055,000	1,174,101	2,229,101
2030	1,095,000	1,140,288	2,235,288
2031	1,135,000	1,107,487	2,242,487
2032	1,175,000	1,073,063	2,248,063
2033	1,215,000	1,037,112	2,252,112
2034	1,260,000	999,104	2,259,104
2035	1,310,000	958,746	2,268,746
2036	1,360,000	916,157	2,276,157
2037	1,410,000	871,508	2,281,508
2038	1,460,000	825,041	2,285,041
2039	1,520,000	776,342	2,296,342
2040	1,575,000	725,345	2,300,345
2041	1,635,000	672,277	2,307,277
2042	1,695,000	616,791	2,311,791
2043	1,760,000	558,800	2,318,800
2044	1,830,000	498,196	2,328,196
2045	1,900,000	434,865	2,334,865
2046	1,975,000	369,628	2,344,628
2047	2,050,000	302,455	2,352,455
2048	2,125,000	232,738	2,357,738
2049	2,205,000	164,034	2,369,034
2050	2,285,000	96,391	2,381,391
2051	2,360,000	30,975	2,390,975
Totals	<u>\$ 43,440,000</u>	<u>\$ 24,853,460</u>	<u>\$ 68,293,460</u>

**Harris County Municipal Utility District No. 504**  
**Changes in Long-term Bonded Debt**  
**Year Ended June 30, 2021**

	<b>Bond</b>	
	<b>Series 2015</b>	<b>Series 2017</b>
Interest rates	2.00% to 4.10%	2.00% to 4.00%
Dates interest payable	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2021/2044	September 1, 2021/2046
Bonds outstanding, beginning of the	\$ 5,060,000	\$ 4,695,000
Bonds sold during the current year	-	-
Retirements, principal	105,000	100,000
Bonds outstanding, end of current year	\$ 4,955,000	\$ 4,595,000
Interest paid during the current year	\$ 193,213	\$ 165,831

Paying agent's name and address:

**Series 2015** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas  
**Series 2017** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas  
**Series 2018** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas  
**Series 2019** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas  
**Series 2020** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

	<b>Utility Bonds and Refunding</b>	<b>Park Bonds and Refunding</b>	<b>Road Bonds and Refunding</b>
Bond authority:			
Amount authorized by voters	\$ 247,320,000	\$ 40,700,000	\$ 131,380,000
Amount issued	\$ 43,940,000	\$ -	\$ -
Remaining to be issued	\$ 203,380,000	\$ 40,700,000	\$ 131,380,000
Debt service fund cash and temporary investment balances as of June 30, 2021:			\$ 3,849,771
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 2,276,449

**Issues**

<b>Series 2018</b>	<b>Series 2019</b>	<b>Series 2020</b>	<b>Totals</b>
3.125% to 5.625%	3.00% to 5.50%	2.00% to 4.50%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2021/2047	September 1, 2021/2049	September 1, 2022/2050	
\$ 10,575,000	\$ 11,255,000	\$ -	\$ 31,585,000
-	-	12,060,000	12,060,000
-	-	-	205,000
<u>\$ 10,575,000</u>	<u>\$ 11,255,000</u>	<u>\$ 12,060,000</u>	<u>\$ 43,440,000</u>
<u>\$ 415,619</u>	<u>\$ 363,238</u>	<u>\$ 182,700</u>	<u>\$ 1,320,601</u>

**Harris County Municipal Utility District No. 504**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended June 30,**

	Amounts				
	2021	2020	2019	2018	2017
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,946,225	\$ 1,779,293	\$ 1,191,882	\$ 784,378	\$ 504,698
Water service	868,117	657,937	474,205	276,407	150,254
Sewer service	469,384	352,525	253,271	131,229	59,125
Penalty and interest	12,828	8,119	9,372	6,094	2,858
Tap connection and inspection fees	715,541	429,145	435,747	402,411	234,352
Investment income	18,478	37,805	23,724	6,571	684
Other income	7,240	4,745	6,801	128,344	28,361
<b>Total revenues</b>	<b>4,037,813</b>	<b>3,269,569</b>	<b>2,395,002</b>	<b>1,735,434</b>	<b>980,332</b>
<b>Expenditures</b>					
Service operations:					
Purchased services	854,289	861,208	569,689	474,998	263,025
Professional fees	161,713	172,085	146,190	128,055	110,158
Contracted services	359,044	265,198	140,462	83,022	55,777
Utilities	15,402	8,862	7,088	4,911	3,788
Repairs and maintenance	841,846	635,354	495,430	396,403	277,187
Tap connections	365,591	267,435	280,608	287,023	140,503
Other expenditures	72,696	68,097	56,125	45,715	31,451
Capital outlay	65,410	-	-	-	73,600
Debt service, debt issuance costs	-	-	-	27,500	54,158
<b>Total expenditures</b>	<b>2,735,991</b>	<b>2,278,239</b>	<b>1,695,592</b>	<b>1,447,627</b>	<b>1,009,647</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,301,822</b>	<b>991,330</b>	<b>699,410</b>	<b>287,807</b>	<b>(29,315)</b>
<b>Other Financing Sources</b>					
Interfund transfers in	12,000	15,500	107,105	375,165	-
Developer advances received	-	-	-	-	200,000
Insurance proceeds	45,757	-	-	-	-
<b>Total other financing sources</b>	<b>57,757</b>	<b>15,500</b>	<b>107,105</b>	<b>375,165</b>	<b>200,000</b>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>1,359,579</b>	<b>1,006,830</b>	<b>806,515</b>	<b>662,972</b>	<b>170,685</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,658,318</b>	<b>1,651,488</b>	<b>844,973</b>	<b>182,001</b>	<b>11,316</b>
<b>Fund Balance, End of Year</b>	<b>\$ 4,017,897</b>	<b>\$ 2,658,318</b>	<b>\$ 1,651,488</b>	<b>\$ 844,973</b>	<b>\$ 182,001</b>
<b>Total Active Retail Water Connections</b>	<b>1,567</b>	<b>1,207</b>	<b>884</b>	<b>555</b>	<b>352</b>
<b>Total Active Retail Wastewater Connections</b>	<b>1,516</b>	<b>1,164</b>	<b>846</b>	<b>535</b>	<b>340</b>

**Percent of Fund Total Revenues**

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
48.1 %	54.4 %	49.8 %	45.2 %	51.5
21.6	20.1	19.8	15.9	15.3
11.7	10.8	10.6	7.6	6.0
0.3	0.3	0.4	0.3	0.3
17.7	13.1	18.2	23.2	23.9
0.4	1.2	1.0	0.4	0.1
0.2	0.1	0.2	7.4	2.9
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
21.2	26.3	23.8	27.4	26.8
4.0	5.3	6.1	7.4	11.2
8.9	8.1	5.9	4.8	5.7
0.4	0.3	0.3	0.3	0.4
20.8	19.4	20.7	22.8	28.3
9.1	8.2	11.7	16.5	14.4
1.8	2.1	2.3	2.6	3.2
1.6	-	-	-	7.5
-	-	-	1.6	5.5
<u>67.8</u>	<u>69.7</u>	<u>70.8</u>	<u>83.4</u>	<u>103.0</u>
<u><u>32.2 %</u></u>	<u><u>30.3 %</u></u>	<u><u>29.2 %</u></u>	<u><u>16.6 %</u></u>	<u><u>(3.0)</u></u>

**Harris County Municipal Utility District No. 504**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended June 30,**

	Amounts				
	2021	2020	2019	2018	2017
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 3,045,169	\$ 2,053,191	\$ 1,157,732	\$ 773,169	\$ 467,057
Penalty and interest	25,039	16,045	9,217	5,601	2,761
Investment income	4,024	14,380	13,170	3,008	856
Total revenues	<u>3,074,232</u>	<u>2,083,616</u>	<u>1,180,119</u>	<u>781,778</u>	<u>470,674</u>
<b>Expenditures</b>					
Current:					
Professional fees	8,275	3,471	2,126	1,825	-
Contracted services	56,286	40,261	28,440	19,627	11,262
Other expenditures	18,868	4,009	3,655	1,784	1,405
Debt service:					
Principal retirement	205,000	200,000	95,000	-	-
Interest and fees	1,314,900	1,016,680	706,693	339,812	237,681
Total expenditures	<u>1,603,329</u>	<u>1,264,421</u>	<u>835,914</u>	<u>363,048</u>	<u>250,348</u>
<b>Excess of Revenues Over Expenditures</b>	1,470,903	819,195	344,205	418,730	220,326
<b>Fund Balance, Beginning of Year</b>	<u>2,192,303</u>	<u>1,373,108</u>	<u>1,028,903</u>	<u>610,173</u>	<u>389,847</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,663,206</u>	<u>\$ 2,192,303</u>	<u>\$ 1,373,108</u>	<u>\$ 1,028,903</u>	<u>\$ 610,173</u>

**Percent of Fund Total Revenues**

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
99.1 %	98.5 %	98.1 %	98.9 %	99.2 %
0.8	0.8	0.8	0.7	0.6
0.1	0.7	1.1	0.4	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.3	0.2	0.2	0.2	-
0.8	1.9	2.4	2.5	2.4
0.6	0.2	0.3	0.2	0.3
6.7	9.6	8.0	-	-
<u>42.8</u>	<u>48.8</u>	<u>59.9</u>	<u>43.5</u>	<u>50.5</u>
<u>51.2</u>	<u>60.7</u>	<u>70.8</u>	<u>46.4</u>	<u>53.2</u>
<u><u>48.8 %</u></u>	<u><u>39.3 %</u></u>	<u><u>29.2 %</u></u>	<u><u>53.6 %</u></u>	<u><u>46.8 %</u></u>

**Harris County Municipal Utility District No. 504**  
**Board Members, Key Personnel and Consultants**  
**Year Ended June 30, 2021**

Complete District mailing address:	Harris County Municipal Utility District No. 504 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 45.054):	May 12, 2021
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Clayton Weishuhn	Appointed 06/18- 05/22	\$ 3,750	\$ 59	President
John Hernandez	Elected 11/20- 05/24	1,500	0	Vice President
Kedrin Bell	Appointed 05/21- 05/24	300	0	Secretary
Kimberly Badu	Elected 11/20- 05/24	1,800	0	Assistant Vice President
Lisa Lindley	Elected 05/18- 05/22	2,250	0	Assistant Secretary

\*Fees are the amounts actually paid to a director during the District's fiscal year.



**Harris County Municipal Utility District No. 504**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended June 30, 2021**

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Raul Wong	Elected 05/16- 11/20	\$ 3,300	\$ 56	Term Expired
Cathy Simandl	Elected 05/16- 11/20	1,050	0	Term Expired
Sharon Mensik	Elected 05/16- 11/20	900	0	Term Expired
Karen Souther	Elected 11/20- 12/20	0	0	Resigned

\*Fees are the amounts actually paid to a director during the District's fiscal year.

**Harris County Municipal Utility District No. 504**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended June 30, 2021**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP	10/30/12	\$ 124,212 377,356	General Counsel Bond Counsel
Assessments of the Southwest, Inc.	03/07/13	31,123	Tax Assessor/ Collector
BGE, Inc.	10/30/12	132,692	Engineer
BKD, LLP	06/04/15	48,100	Auditor
Harris County Appraisal District	Legislative Action	36,526	Appraiser
Inframark Services, LLC	09/05/13	946,027	Operator
Myrtle Cruz, Inc.	03/07/13	25,177	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/06/14	8,275	Delinquent Tax Attorney
Rathmann & Associates, L.P.	03/07/13	329,200	Financial Advisor
<b>Investment Officer</b>			
Mary Jarmon	03/07/13	N/A	Bookkeeper

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN





