

OFFICIAL STATEMENT DATED APRIL 12, 2023

IN THE OPINION OF BOND COUNSEL (DEFINED BELOW), ASSUMING CONTINUING COMPLIANCE BY THE DISTRICT (DEFINED BELOW) AFTER THE DATE OF INITIAL DELIVERY OF THE BONDS (DEFINED BELOW) WITH CERTAIN COVENANTS CONTAINED IN THE BOND ORDER (DEFINED BELOW) AND SUBJECT TO THE MATTERS SET FORTH UNDER "TAX MATTERS" HEREIN, INTEREST ON THE BONDS FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE THEREOF (1) WILL BE EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS THEREOF PURSUANT TO SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED TO THE DATE OF INITIAL DELIVERY OF THE BONDS, AND (2) WILL NOT BE INCLUDED IN COMPUTING THAT ALTERNATIVE MINIMUM INCOME OF THE OWNERS THEREOF WHO ARE INDIVIDUALS.

The District designated the Bonds as "Qualified Tax-Exempt Obligations". See "TAX MATTERS – Qualified Tax- Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 701600

RATINGS: Underlying "BBB" (stable outlook) S&P
Insured "AA" (stable outlook) S&P

See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein

\$8,225,000

PARKWAY UTILITY DISTRICT

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

WATERWORKS AND SANITARY SEWER SYSTEM COMBINATION

UNLIMITED TAX AND REVENUE BONDS

SERIES 2023

Dated: May 1, 2023

Due: March 1 (as shown below)

Interest on the \$8,225,000 Waterworks and Sanitary Sewer Combination Unlimited Tax and Revenue Bonds, Series 2023 (the "Bonds" or the "Series 2023 Bonds"), will accrue from May 1, 2023, and will be payable semiannually on September 1, 2023 and each March 1 and September 1 thereafter. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. 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 owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. See "THE BONDS."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM").



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal	Maturity	Interest Rate	Yield (a)	Principal	Maturity	Interest Rate	Yield (a)
\$50,000	2027	6.50%	3.000%	\$775,000	2048(b)	4.00%	4.146%
\$50,000	2028	6.50%	3.000%	\$800,000	2049(b)	4.00%	4.159%
***	***	***	***	\$850,000	2050(b)	4.00%	4.171%
\$700,000	2046(b)	4.00%	4.119%	\$875,000	2051(b)	4.00%	4.183%
\$750,000	2047(b)	4.00%	4.132%				

\$150,000 6.375% Term Bond Due March 1, 2031 to Yield 3.000% (a) (b) (c)
 \$100,000 6.250% Term Bond Due March 1, 2033 to Yield 3.050% (a) (b) (c)
 \$100,000 6.000% Term Bond Due March 1, 2035 to Yield 3.100% (a) (b) (c)
 \$100,000 5.750% Term Bond Due March 1, 2037 to Yield 3.250% (a) (b) (c)
 \$100,000 5.500% Term Bond Due March 1, 2039 to Yield 3.400% (a) (b) (c)
 \$100,000 5.250% Term Bond Due March 1, 2041 to Yield 3.550% (a) (b) (c)
 \$100,000 5.000% Term Bond Due March 1, 2043 to Yield 3.700% (a) (b) (c)
 \$750,000 4.000% Term Bond Due March 1, 2045 to Yield 4.104% (a) (b) (c)
 \$1,875,000 4.125% Term Bond Due March 1, 2053 to Yield 4.200% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2029, are subject to redemption, in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2028, or on any date thereafter, at a price equal to the par value 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, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See "THE BONDS – Optional Redemption."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Parkway Utility District (the "District") to: (1) finance certain water supply and wastewater collection facilities including engineering and contingency costs; (2) pay 12 months of capitalized interest on the Bonds; and (3) pay issuance costs and administrative costs associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District; additionally, the Bonds are secured by a pledge of the Net Revenue of the District's System (all as defined and further described herein). See "THE BONDS – Sources of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, City of Houston, Texas, nor any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas or the City of Houston, Texas, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain RISK FACTORS described under the caption "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by The Muller Law Group PLLC, Sugar Land, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about May 10, 2023.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change 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.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Norton Rose Fulbright US LLP, 1301 McKinney Street, Suite 5100, Houston, Texas 77010, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or 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 their Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds. See "OFFICIAL STATEMENT – Updating of Official Statement."

References to website 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 final official statement for any purpose.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM, supplied by AGM and presented under the heading "Bond Insurance" and "APPENDIX B – Specimen 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 producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.000608% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.238049%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its 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. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of road improvement district bonds may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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 number 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. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") assigned an underlying municipal bond rating of "BBB" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. See "BOND INSURANCE." The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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 appendix 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not

guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At December 31, 2022:

- The policyholders' surplus of AGM was approximately \$2,747 million.
- The contingency reserve of AGM was approximately \$855 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,134 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on March 1, 2023 that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement.

THE BONDS

- Description:** The Parkway Utility District Waterworks and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2023 (the "Series 2023 Bonds" or the "Bonds"), are dated May 1, 2023 and issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions, including but not limited to Chapters 49 and 54 of the Texas Water Code, as amended, a bond election held within the District, an order (the "Bond Order") to be adopted by the Board of Directors of Parkway Utility District (the "District") and an approving order of the Texas Commission on Environmental Quality (the "TCEQ").
- The Bonds mature on March 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable semiannually on September 1, 2023 and each March 1 and September 1 until maturity or prior redemption.
- Authority for Issuance:** The District has issued fifteen installments of \$88,455,000 in bonds for waterworks, sanitary sewer and drainage facilities authorized during various elections held within the District for that purpose in 1971, 1973, 1981, 2004 and 2016. In addition, \$9,750,000 unlimited tax park bonds were authorized during an election in 2018, none of which have been issued. After issuance of the Bonds, an aggregate of \$24,790,000 principal amount of bonds for waterworks, sanitary sewer and drainage facilities will remain authorized but unissued as well as the \$9,750,000 bonds for parks and recreational facilities. Additionally, unlimited tax and revenue refunding bonds in the amount of 150% of the remaining outstanding bonds have been authorized by the District's voters. See "Issuance of Additional Debt."
- Redemption Provisions:** The Bonds maturing on or after March 1, 2029, are subject to early redemption, in whole from time to time or part, on March 1, 2028, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on March 1 in the years 2031, 2033, 2035, 2037, 2039, 2041, 2043, 2045 and 2053 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2029, 2032, 2034, 2036, 2038, 2040, 2042, 2044 and 2052 respectively. See "THE BONDS – Mandatory Redemption."
- 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. So long as Cede & Co., as the Paying Agent to DTC, is the registered owner of the Bonds, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Risk Factors:** The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Sources of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. See "TAXING PROCEDURES." Additionally, the Bonds are secured by the Net Revenues (hereinafter defined) of the District's waterworks, sanitary sewer and drainage system (the "System"). See "THE BONDS -- Sources of and Security for Payment." The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any other political subdivision or agency. See "THE BONDS -- Sources of and Security for Payment."
- Use of Bond Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) finance certain water supply and wastewater collection facilities including engineering and contingency costs; (2) pay 12 months of capitalized interest on the Bonds; and (3) pay issuance costs and administrative costs associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Municipal Bond Rating:** In connection with the sale of the Bonds, the District made an application to S&P, which assigned its municipal bond rating of "BBB" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. See "MUNICIPAL BOND RATING."

Bond Insurance: S&P has assigned its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on each series of the Bonds will be issued by AGM. See “MUNICIPAL BOND RATING,” “BOND INSURANCE” and “APPENDIX B – Specimen Municipal Bond Insurance Policies.”

Payment Record: The District has never defaulted on the payment of interest or principal on its outstanding bonds. See “THE BONDS.”

Tax Exemption: In the opinion of Bond Counsel, under existing law, interest on the bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax for the owners thereof who are individuals. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.

Qualified Tax Exempt Obligations: The Bonds are designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Paying Agent/Registrar: BOKF, NA, Dallas, Texas.

Legal Opinion: Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel.

THE DISTRICT

Description: The District was created by an Act of the 61st Legislature of the State of Texas, Regular Session, 1969, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 819 acres. See “THE DISTRICT.” Located approximately eleven miles northeast of downtown Houston and approximately one mile east of the City of Houston’s city limits, the District is located approximately one mile north of the intersection of U.S. Highway 90 and C.E. King Parkway. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Sheldon Independent School District. See “THE DISTRICT.”

Status of Development: The District is being developed primarily as a single-family residential subdivision. As of January 1, 2023, the District served approximately 2,383 single-family homes (2,342 of which were occupied), 3 multi-family connections (including 234 apartment units), 19 commercial and 26 other accounts (including a school and a church). See “THE DISTRICT.”

The System: The District currently owns a complete water plant, with a 1,101 gallon per minute (“gpm”) water well (the TCEQ also recognizes the City as providing an additional 434 gpm of potable water, 730,000 gallons of ground storage in two tanks, two hydropneumatic tanks with 40,000 gallons of capacity, four 2,000 gpm service pumps, disinfectant facilities, electrical controls, emergency diesel generator and appurtenant equipment. According to the District’s Engineer, the plant is in relatively good operating condition and can be expected to adequately serve approximately 3,300 ESFCs. The proceeds of this bond issue will include funds for preparation to construct a second water plant to serve the remaining developable acreage within the District.

The District jointly owns, with Greenwood Utility District (“Greenwood”), a wastewater treatment plant (“WWTP”) rated at 950,000 gallons per day (“gpd”) that is operated by Greenwood. The District presently owns 558,790 gpd of the total capacity and Greenwood owns 379,210 gpd. With the expansion of the WWTP from proceeds of the Outstanding Bonds, the District will own 1,125,000 gpd and Greenwood, 750,000 gpd.

All developed areas within the District have underground storm sewers that eventually discharge into storm water detention basins or an open channel drainage system.

Summary of Land Use: As of January 1, 2023, the approximate land use in the District is in the table below:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Fully Developed Acres	594
Acres Currently Being Developed	0
Additional Developable Acreage	49
Other Undevelopable Acres	176 (a)
Total Approximate Acres	819

(a) Includes undevelopable acres for easements, open space, wetlands, water plant site, and public use rights-of-way.

**Infectious Disease
Outlook (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.

There are currently no COVID-19 related operating limits for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor 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 any 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 reinstatement of restrictions. See "RISK FACTORS - Infectious Disease Outlook (COVID-19)."

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

(Unaudited)

2022 Certified Taxable Value	\$514,142,096	(a)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (as of April 1, 2023)	\$35,265,000	
Plus the Series 2023 Bonds	<u>\$8,225,000</u>	
Total Direct Debt	\$43,490,000	
Estimated Overlapping Debt	<u>\$30,242,330</u>	
Direct and Estimated Overlapping Debt	\$73,732,330	
Percentage of Direct Debt to:		
2022 Certified Taxable Value	8.46%	
See "DISTRICT DEBT"		
Percentage of Direct and Overlapping Debt to:		
2022 Certified Taxable Value	14.34%	
See "DISTRICT DEBT"		
2022 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.41	
Maintenance Tax	<u>\$0.28</u>	
Total 2022 Tax Rate	\$0.69	
Approximate General Fund Cash Balance (3-8-2023)	\$3,884,351	(b)
Approximate Debt Service Fund Cash Balance (3-8-2023)	\$1,050,050	(c)

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- (a) Reflects the 2022 Certified Taxable Value according to data supplied to the District by Harris Central Appraisal District ("HCAD"). See "TAX DATA" and "TAXING PROCEDURES"
- (b) Unaudited figure per the District's records.
- (c) Unaudited figure per the District's records. Reflects the balance with debt service fund after the March 1, 2023 debt service payment of \$1,677,003. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's outstanding bonds, plus the debt service requirements on the Bonds. See "TAX DATA – Tax Adequacy for Debt Service".

<u>Year</u>	<u>Existing Debt Service Requirements</u>	<u>Plus: Debt Service on the Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2023	\$2,229,675		\$115,718	\$2,345,393
2024	\$2,224,844		\$347,156	\$2,572,000
2025	\$2,226,443		\$347,156	\$2,573,599
2026	\$2,224,744		\$347,156	\$2,571,900
2027	\$2,226,219	\$50,000	\$345,531	\$2,621,750
2028	\$2,225,812	\$50,000	\$342,281	\$2,618,093
2029	\$2,223,450	\$50,000	\$339,062	\$2,612,512
2030	\$2,228,879	\$50,000	\$335,875	\$2,614,754
2031	\$2,226,997	\$50,000	\$332,687	\$2,609,684
2032	\$2,227,788	\$50,000	\$329,531	\$2,607,319
2033	\$2,228,706	\$50,000	\$326,406	\$2,605,112
2034	\$2,225,206	\$50,000	\$323,343	\$2,598,549
2035	\$2,225,156	\$50,000	\$320,343	\$2,595,499
2036	\$2,312,119	\$50,000	\$317,406	\$2,679,525
2037	\$2,251,556	\$50,000	\$314,531	\$2,616,087
2038	\$2,263,747	\$50,000	\$311,718	\$2,625,465
2039	\$2,273,216	\$50,000	\$308,968	\$2,632,184
2040	\$2,281,109	\$50,000	\$306,281	\$2,637,390
2041	\$2,286,131	\$50,000	\$303,656	\$2,639,787
2042	\$2,298,106	\$50,000	\$301,093	\$2,649,199
2043	\$2,303,225	\$50,000	\$298,593	\$2,651,818
2044	<u>\$2,316,419</u>	\$50,000	\$296,343	\$2,662,762
2045		\$700,000	\$281,343	\$981,343
2046		\$700,000	\$253,343	\$953,343
2047		\$750,000	\$224,343	\$974,343
2048		\$775,000	\$193,843	\$968,843
2049		\$800,000	\$162,343	\$962,343
2050		\$850,000	\$129,343	\$979,343
2051		\$875,000	\$94,843	\$969,843
2052		\$925,000	\$58,265	\$983,265
2053		<u>\$950,000</u>	<u>\$19,593</u>	<u>\$969,593</u>
	\$49,529,547	\$8,225,000	\$8,328,093	\$66,082,640

Maximum Annual Debt Service Requirements (2036) \$2,679,525

\$0.55 Tax Rate on the 2022 Taxable Value of \$514,142,096
 @ 95% collections produces..... \$2,686,392

\$8,225,000

**Parkway Utility District
(A political subdivision of the State of Texas, located within Harris County, Texas)**

Waterworks and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds

Series 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the Parkway Utility District Waterworks and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2023 (the "Bonds") or (the "Series 2023 Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, relating to the issuance of bonds by political subdivisions, specifically including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a bond election held within the District, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of Parkway Utility District (the "District"), a political subdivision of the State of Texas located within Harris County, Texas, and an approving order of the Texas Commission on Environmental Quality (the "TCEQ"). This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. 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's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, Texas, or any other political subdivision other than the District. The Bonds are secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Additionally, the bonds are secured by a pledge of the Net Revenues of the System (all as defined and further explained herein). See "THE BONDS – Sources of and Security for Payment." The security for payment of the principal or of interest on the Bonds depends on the District's ability to collect taxes levied against property within the District in an amount sufficient to pay debt service on the Bonds when due. The District makes no representation that over the term of the Bonds taxable property within the District will maintain values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property if the District forecloses on property subject to the District's tax lien. Further, the collection of delinquent taxes due the District, and the enforcement by a bondholder of the District's obligation to collect sufficient taxes, may be costly and lengthy processes. See " - Tax Collections" and " - Registered Owners' Remedies" herein and "THE BONDS--Sources of and Security for Payment."

Infectious Disease Outlook (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.

There are currently no COVID-19 related operating limits for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor 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 any 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 reinstatement of restrictions.

Tax Collections

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 ad valorem tax levy constitutes a lien on the property against which taxes are levied in favor of the District. Such lien is on a parity with the liens of all other state and local taxing authorities on such property and may be enforced by foreclosure. However, ad valorem tax collection through foreclosure may be impaired by: (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures, (c) market conditions affecting the marketability of taxable property within the District at foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, (e) sale or transfer of personal property to bona fide purchasers, or (f) insufficient foreclosure proceeds to satisfy the tax liens of all state and local taxing authorities with 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

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

Economic Factors

The maintenance of taxable values in the District is directly related to the local housing and building industry. The housing/building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. A return of relatively high mortgage interest rates may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

The availability of mortgage and development funds have a direct impact on construction and building activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and therefore taxable value in the District.

The Houston metropolitan area has, during the past, experienced economic downturns (especially during periods of relatively low oil and natural gas prices). These factors could affect the demand for residential homes and commercial development and hence the maintenance of property values or the maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, could have an adverse impact on sale prices for homes and, consequently, could materially adversely affect property values or, in some instances, cause builders to abandon home building plans altogether.

Potential Effects of Oil Price Volatility on the Houston Area

The recent volatility in oil prices in the U.S. and globally, which at times has led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. 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. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Dependence on Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some

rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Dependence on Construction of Future Improvements

In 2022, the District levied a debt service tax and an operation and maintenance tax for a total tax rate of \$0.69 per \$100 of assessed valuation. Tax rates in future years may be higher. Should no development occur in the District beyond that reflected by its 2022 Taxable Valuation, a debt service tax rate of \$0.55 per \$100 assessed valuation at 95% collection, would be required to pay the District's maximum annual debt service requirements, including the Bonds. See "– Future Debt" herein and "TAX DATA -- Tax Adequacy for Debt Service."

Future Debt

The District has \$24,790,000 in authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds and has another \$9,750,000 authorized but unissued unlimited tax park bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed. The District received permission from the TCEQ to issue \$18,170,000 principal amount of bonds on January 31, 2023. The District currently plans to issue a second series of Bonds from this TCEQ approval in the amount of \$9,945,000 during calendar year 2024.

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

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

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. 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 the District meets certain financial feasibility requirements under Chapter 49 of the Texas Water Code and 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 more than three percent of the value of the taxable property in the District. As noted above, the District currently has \$9,750,000 authorized but unissued park bonds.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS."

Marketability

The District has no understanding 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 in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as such bonds are generally bought, sold or traded in the secondary market.

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.

Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

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

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

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

In 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 has itself 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 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. As of March 20, 2023, the final rule vacating the NWPR and interpreting "waters of the United States" consistent with the pre-2015 regime will become effective. 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.

Changes in Tax Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or ending legislation, regulatory initiatives or litigation.

Inclement Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flooding – Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system,

which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

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

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. 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 Houston area (including Harris County) sustained widespread rain and flooding damage as a result of Hurricane Harvey’s landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the observations of the District’s Operator and the District’s Engineer, the District’s System did not sustain any significant damage and there was no interruption of water and sewer service for District customers as a result of the storm. However, to the best knowledge of the District, approximately 500 homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey; approximately 15 homes experienced flooding during Tropical Storm Imelda. To the best knowledge of the District, approximately 85% of the damaged properties have been totally rehabilitated. That approximately 15% of the damaged properties are currently inhabited but continue to require additional rehabilitation work.

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). Flood casualties are usually expected from coverage unless specific flood insurance is purchased. The District cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damages to improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri. According to the District’s Operator, the District experienced minor interruptions of water and wastewater service as a result of Winter Storm Uri. The District cannot predict the impact of future winter weather events.

Temporary Tax Exemption for Property Damaged by Disaster

The Tax Code (hereinafter defined) 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 Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency

date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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.

Harris County Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures (which currently apply within the District) in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The new and amended Harris County regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Atlas 14

The National Weather Service recently 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.

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 applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest 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 Bond 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 Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "BOND INSURANCE" herein.

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

Neither the District nor the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE"

herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will bear interest at the per annum rates and are scheduled to mature on March 1 in the years and as to the principal amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds accrues from May 1, 2023, and will be payable semiannually on September 1, 2023, and each March 1 and September 1 thereafter until maturity or earlier redemption. Such interest on the Bonds due on each interest payment date will be payable to the persons in whose names such Bonds are registered (the "Registered Owner") as of the 15th day (whether or not a business day) of the calendar month prior to each interest payment date (the "Record Date").

Principal and redemption price of the Bonds are payable at the principal payment office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") upon presentation and surrender of the Bonds.

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

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. So long as Cede & Co., as the Paying Agent to DTC, is the registered owner of the Bonds, principal of, premium, if any, 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 beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

If the date for payment of the principal or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority for Issuance

The District has issued fifteen installments of \$88,455,000 in bonds for waterworks, sanitary sewer and drainage facilities authorized at various elections held within the District for that purpose in 1971, 1973, 1981, 2004 and 2016. In addition, \$9,750,000 unlimited tax park bonds were authorized at an election in 2018, none of which have been issued. After issuance of the Bonds, an aggregate of \$24,790,000 principal amount of bonds for waterworks, sanitary sewer and drainage facilities will remain authorized but unissued as well as the \$9,750,000 bonds for parks and recreational facilities. Additionally, unlimited tax and revenue refunding bonds in the amount of 150% of the remaining outstanding bonds have been authorized by the District's voters. See "Issuance of Additional Debt."

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 59 and 54 of the Texas Water Code, and the Bond Order.

Optional Redemption

The Bonds with stated maturities on and after March 1, 2029, may be redeemed at the option of the District on notice mailed to the Registered Owners thereof not less than 30 days prior to the Redemption Date as provided in the Bond Order, as a whole or from time to time in part on any date prior to their stated maturity, but not before March 1, 2028, upon payment of the redemption price which will be the principal amount thereof together with interest, if any, accrued thereon from the most recent interest payment date to the redemption date. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the district, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity.

Mandatory Redemption:

The Bonds maturing March 1 in the years 2031, 2033, 2035, 2037, 2039, 2041, 2043, 2045 and 2053 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$150,000 Term Bonds, due March 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2029	\$50,000
March 1, 2030	\$50,000
March 1, 2031 (maturity)	\$50,000

\$100,000 Term Bonds, due March 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2032	\$50,000
March 1, 2033 (maturity)	\$50,000

\$100,000 Term Bonds, due March 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2034	\$50,000
March 1, 2035 (maturity)	\$50,000

\$100,000 Term Bonds, due March 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2036	\$50,000
March 1, 2037 (maturity)	\$50,000

\$100,000 Term Bonds, due March 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2038	\$50,000
March 1, 2039 (maturity)	\$50,000

\$100,000 Term Bonds, due March 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2040	\$50,000
March 1, 2041 (maturity)	\$50,000

\$100,000 Term Bonds, due March 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2042	\$50,000
March 1, 2043 (maturity)	\$50,000

\$750,000 Term Bonds, due March 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2044	\$50,000
March 1, 2045 (maturity)	\$700,000

\$1,875,000 Term Bonds, due March 1, 2053

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2052	\$925,000
March 1, 2053 (maturity)	\$950,000

Notice of Redemption

Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each registered owner of Bonds to be redeemed. All notices of redemption shall state:

1. the redemption date;
2. the redemption price;
3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in the case of partial redemption within a stated maturity, the respective Bond numbers and principal amounts) of Bonds to be redeemed;
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date; and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment. The notice of redemption must state if redemption is conditioned on issuance of refunding bonds or other obligations to pay the redemption price.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bond the same shall be surrendered in exchange for one or more new Bonds of the same Stated Maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the Redemption Date.

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing annual ad valorem tax levied, without legal limitation as to rate or amount, levied against taxable property located within the District. Additionally, the Bonds are secured by the Net Revenues (hereinafter defined) of the District's waterworks, sanitary sewer and drainage system (the "System") In the Bond Order, the District covenants to levy a tax sufficient in amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will then be deposited in the District's bond fund and used solely to pay principal of and interest on the Bonds, the District's outstanding bonds, and on any additional bonds payable from taxes which the District may hereafter issue.

As noted in the paragraph above the Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the District's waterworks, sanitary sewer and drainage system (the "System"). "*Net Revenues*" means all income or increment which may grow out of the ownership and operation of the System, and improvements (as same are purchased, constructed, or otherwise acquired), being the gross revenue income less such portion of such revenue income as reasonably may be required to provide for the administration, efficient operation, and adequate maintenance of the System, and less that portion thereof derived from special projects contracts with private corporations, municipalities, or political subdivisions which, under the terms of the authorizing resolutions, may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts.

Defeasance

Any Bond is deemed to be paid and is no longer be considered to be a Bond, within the meaning of the Bond Order, when payment of the principal of and interest on such Bond to the maturity date thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the redemption date which has been made, or provided for, by deposit with the Paying Agent/Registrar (or with any other bank or trust company which has agreed to hold the same for such purpose) for such payment of: (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, *provided* that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

Any money and Governmental Obligations deposited for such purpose shall be held by the Paying Agent/Registrar (or other bank or trust company) with which such deposit is made in a segregated account in trust or escrow for the Registered Owners of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on such Bonds when due, *except* that cash receipts may be withdrawn and paid to the District provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in this Section. No money or Governmental Obligations so deposited shall be invested or reinvested unless in Governmental Obligations and unless such money and Governmental Obligations not invested and such new investments are together certified by an independent public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear

such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

"*Governmental Obligations*" means: (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody's Investors Service or Standard & Poor's Corporation, or any successor to the bond operations of either of such corporations, *but* in the case of both *Clauses* (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Funds

The Bond Order confirms the previous establishment of the District's Bond Fund. The Bond Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar.

Issuance of Additional Debt

If authorized by the District's voters and by the Board, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." At Bond Elections held within the District, the District's voters authorized the issuance of \$88,455,000 principal amount of Unlimited Tax and Revenue Bonds of which \$24,790,000 remain authorized but unissued. Additionally, the voters in the District have authorized \$9,750,000 principal amount of Unlimited Tax Park Bonds, all of which remain authorized but unissued. The District may authorize additional amounts in future elections. It is currently anticipated that the current bond authorizations are adequate to fund the District's share of facility costs to complete the development of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. In the Bond Order the District further reserves the right to issue revenue bonds, inferior lien bonds, refunding bonds and other obligations.

Successor Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District agrees in the Bond Order to at all times maintain an agency, meeting the qualifications therein described, for the performance of the duties of the Paying Agent/Registrar. The Paying Agent/Registrar may be removed from its duties at any time with or without cause by action of the Board of Directors of the District with not less than 30 days' notice to each Bond Registered Owner specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor Paying Agent/Registrar, but no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar hereunder by written instrument.

The Bond Order requires that every Paying Agent/Registrar will at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission.

Registration, Transfer, and Exchange

Upon surrender for transfer of any Bond at the place of payment, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, the Bonds which the Registered Owners of Bonds making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the District, evidencing the same debt, and entitled to the same benefits under the Order, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the District and the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge shall be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and

ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Replacement of Mutilated, Lost or Stolen Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District will execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Approval of the Bonds

As required by law, 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 nor guarantee the safety or appropriateness of the Bonds as an investment, nor pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments

The District may, without the consent of or notice to any Registered Owner, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Registered Owners of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Registered Owners of all of the affected Outstanding Bonds, no such amendment, addition, or rescission may (1) change the Stated Maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions governing amendments, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

Any consent to any amendment of the Bond Order by the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered 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 or Maturity Value, as the case may be, 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. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Certificate 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 fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) finance certain water supply and wastewater collection facilities including engineering and contingency costs; (2) pay 12 months of capitalized interest on the Bonds; and (3) pay issuance costs and administrative costs associated with the issuance of the Bonds. To the extent surplus funds are available from the sale of the Bonds, such funds may be expended for any lawful purpose for which surplus funds may be used, with approval of the TCEQ.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

<u>CONSTRUCTION COSTS:</u>	<u>Total Amount</u> (a)
District Items	
Water Plant No. 2 Clearing, Grubbing & Detention	\$300,000
Offsite Lift Station No. 8 & Force Main	\$3,223,300
Water Well No. 1 Re-work	\$426,000
Global New Millennium Sanitary Sewer Extension	\$155,979
Surface Water Transmission Facility Expansion	\$588,000
Contingencies	\$454,000
Engineering	<u>\$1,894,000</u>
<i>Total District Items</i>	<u>\$7,041,279</u>
 TOTAL CONSTRUCTION COSTS	 \$7,041,279
 <u>NON-CONSTRUCTION COSTS:</u>	
Legal Fees	\$205,625
Fiscal Agent Fees	\$148,375
Capitalized Interest	\$347,156
Bond Discount	\$246,700
Bond Issuance Expenses	\$22,370
Bond Application Report	\$100,000
Attorney General Fee	\$8,225
TCEQ Bond Issuance Fee	\$20,563
Contingency	<u>\$84,707</u> (b)
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,183,721</u>
 TOTAL BOND ISSUE REQUIREMENT	 <u>\$8,225,000</u>

-
- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities.
 - (b) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement.

THE DISTRICT

Authority, Purpose, and Functions

The District is vested with all of the rights, privileges, authority, and functions conferred by Article XVI, Section 59 of the Texas Constitution and the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. Additionally, the District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City of Houston and the TCEQ and the District's voters of the District's plans in such regard. The District has no plans to request fire protection powers or road powers at this time. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

Description and Location

Parkway Utility District was created by Acts of the 61st Legislature of the State of Texas, Regular Session, 1969, pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution. The District was converted from a water control and improvement district by order of the Texas Water Rights Commission, predecessor to the TCEQ, dated April 23, 1976, adopting the provisions of Chapter 54 of the Texas Water Code as a municipal utility district. The District was originally created with approximately 571.394 acres. With annexations in 1981, 2005, 2007, 2011 and 2013, the District currently comprises approximately 819.249 acres. Located approximately eleven miles northeast of downtown Houston and approximately one mile east of the City of Houston's city limits, the District is about one mile north of the intersection of U.S. Highway 90 and C.E. King Parkway. The District is being developed primarily as a single-family residential subdivision. As of January 1, 2023, the District served 2,383 single-family homes (2,342 of which were occupied), 3 multi-family connections (representing 234 apartment units), 19 commercial connections and 26 other accounts.

Summary of Land Use

A summary of the approximate land use in the District appears in the following table as of January 1, 2023:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Fully Developed Acres	594	
Acres Currently Being Developed	0	
Additional Developable Acreage	49	
Other Undevelopable Acres	<u>176</u>	(a)
Total Approximate Acres	819	

(a) Includes undevelopable acres for easements, open space, wetlands, water plant site, and public use rights-of-way.

Management of the District

The District is governed by the Board, which has control over and management supervision of all affairs of the District. All of the Directors either own property or reside within the District. A directors' election is held within the District on the first Saturday in May in even numbered years. Directors are elected to serve four-year, staggered terms. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brenda McNeil	President	2024
Shiwann Simpson	Assistant Secretary	2024
Ron Everhart	Secretary	2026
Cody Pogue	Assistant Secretary	2026
Gloria Woods	Director	2026

Tax Assessor/Collector - The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under a one-year contract and represents approximately 200 utility districts.

Bookkeeper - The District's Bookkeeper is McLennan & Associates, L.P. which acts as bookkeeper for approximately 30 special districts.

Engineer - The consulting engineer for the District is Quiddity Engineering, LLC (the "Engineer").

Auditor - The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as its independent auditor. A copy of the District's audit for the fiscal year ended December 31, 2022, is included in Appendix A hereto.

Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District and is paid an hourly consulting fee for certain services rendered from time to time. The GMS Group, L.L.C., has served in the capacity as Financial Advisor relative to the issuance of the Bonds and will be paid a fee from Bond proceeds contingent upon the sale and delivery of the Bonds.

Legal Counsel - The District has employed Norton Rose Fulbright US LLP Houston, Texas, as bond counsel in connection with the issuance of the Bonds. The legal fee to be paid bond counsel for service rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent on the sale and delivery of the Bonds. Norton Rose Fulbright US LLP also represents the District as General Counsel and fees are not contingent on the sale and delivery of the Bonds.

Disclosure Counsel – The Muller Law Group PLLC, Sugar Land, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Investments of the District

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

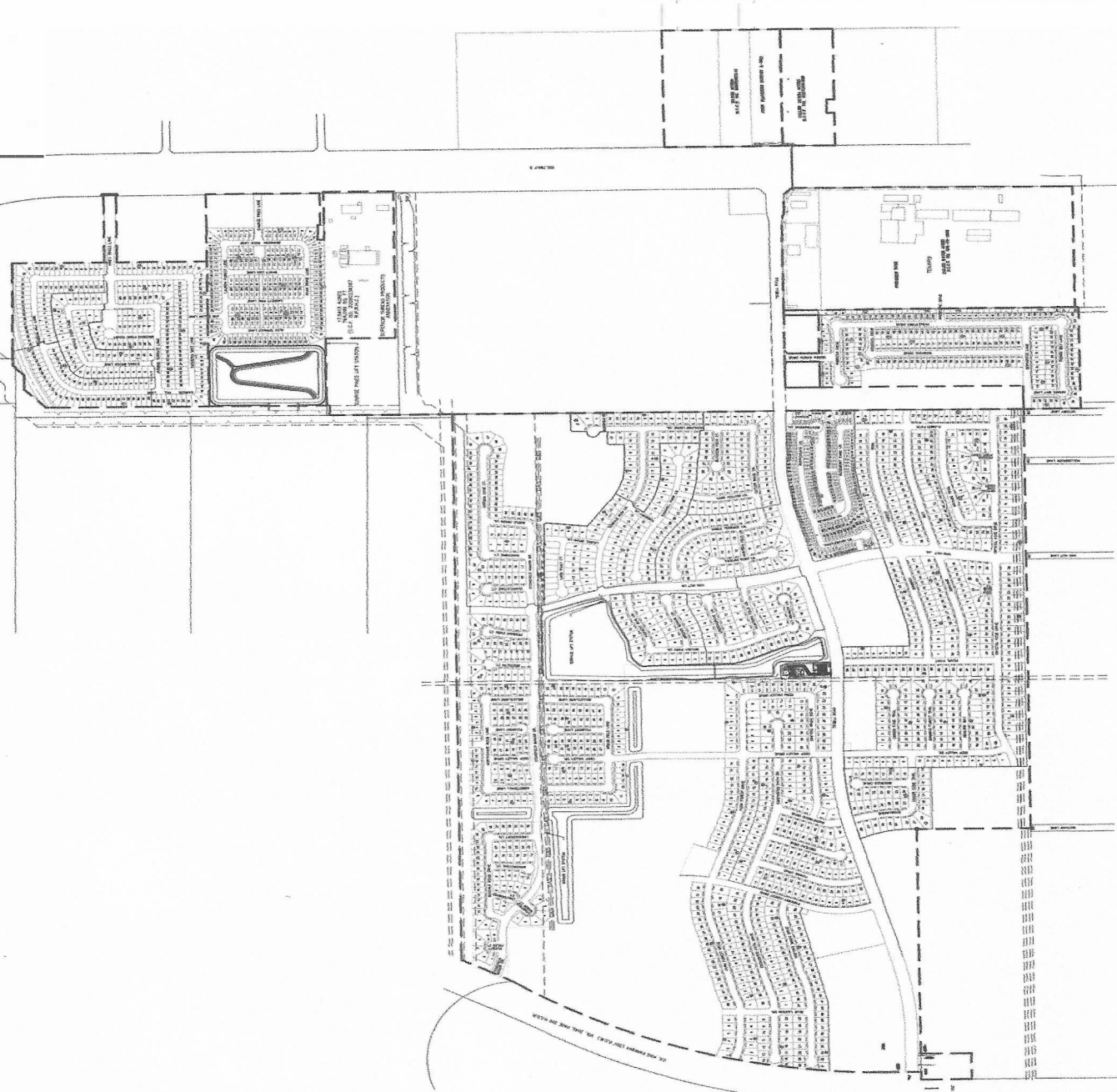
Map of the District



Herrington, Inc.
 10000 N. 10th Street
 Suite 100
 Phoenix, AZ 85020
 Phone: 602.998.1111
 Fax: 602.998.1112

PAPERBACK
 QUANTITY DISCOUNTS
 DISTRICT EXHIBIT

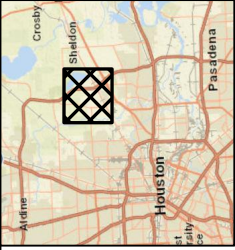
SCALE	1" = 300'
CUSTOMER	TRINITY COMMUNITY
DATE	08/11/08
PROJECT	TRINITY COMMUNITY
DATE	08/11/08
SCALE	1" = 300'
CUSTOMER	TRINITY COMMUNITY
DATE	08/11/08
PROJECT	TRINITY COMMUNITY
DATE	08/11/08



PARKWAY UNITY DISTRICT

Map of the District

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VICINITY MAP
Scale: 1 inch equals 10 miles

LEGEND

Pa kway UD
Boundary



Aerial imagery provided by Nearmap

DISTRICT BOUNDARY EXHIBIT

PARKWAY U.D.
HARRIS COUNTY, TEXAS

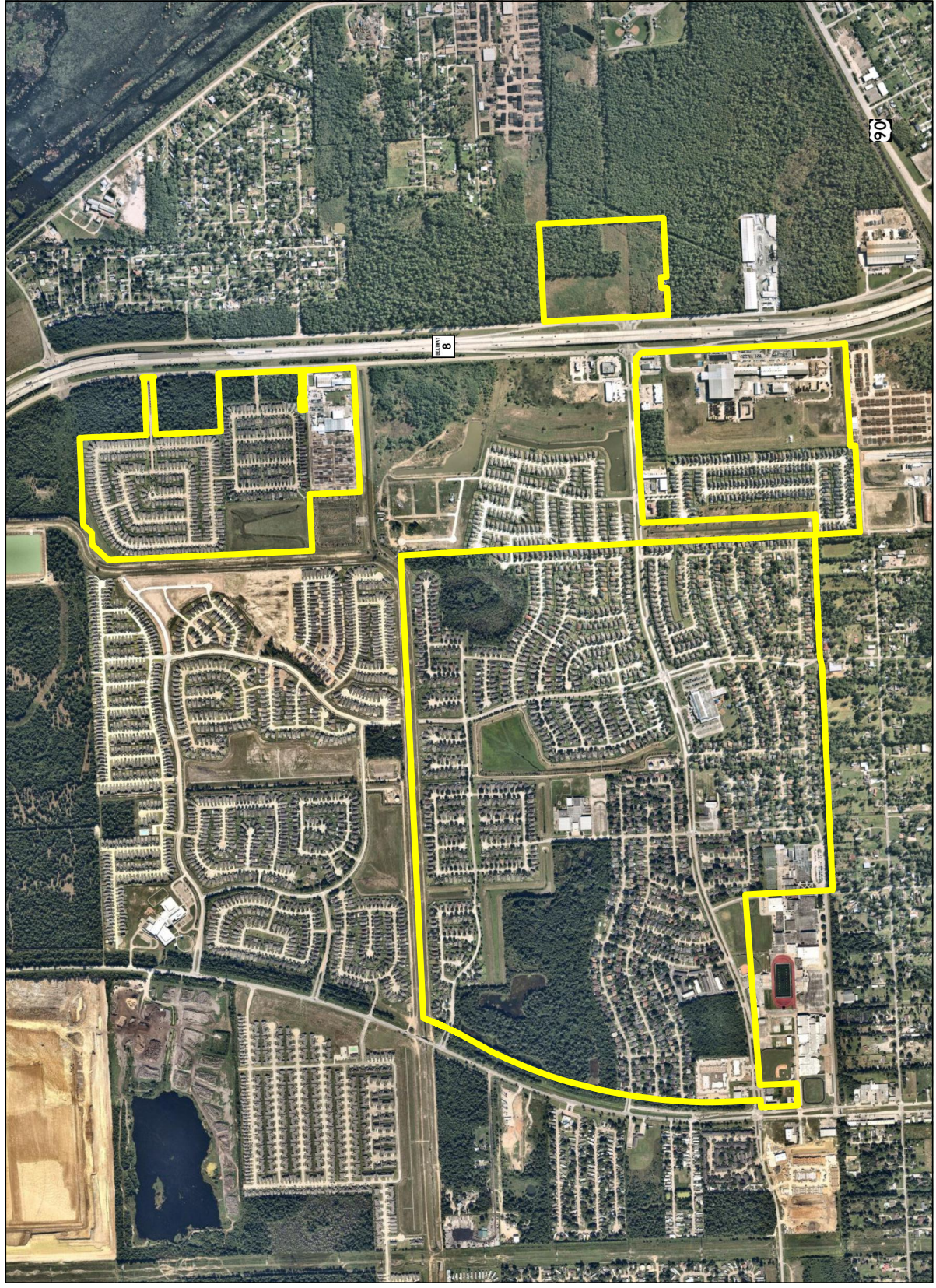


1 inch equals 1,000 feet

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JONES & CARTER
Texas Board of Professional Engineers Registration No. 4439



THE SYSTEM

Regulation

The water and wastewater facilities serving land within the District have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston and the Harris County Engineering Department. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies. Operation of the District's System is subject to regulation by, among others, the United States Environmental Protection Agency ("EPA") and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development of approximately 819 acres located in the District is 3,750 equivalent single-family connections ("ESFC") to serve the projected population of approximately 11,500 persons. A description of the primary components of the System follows and is based upon information supplied by the Engineer based on drawings and data furnished by others.

Proceeds of the sale of the Outstanding Bonds were used to finance the construction or acquisition of underground water supply, water distribution lines, a water transmission line and appurtenances to facilitate purchase of surface water from the City of Houston, wastewater collection lines, a wastewater treatment plant, lift stations, detention facilities and stormwater drainage facilities to serve an aggregate of 2,706 ESFCs, comprised of fully developed single-family lots in the District, a small number of multi-family units, church, commercial and school, for a total of approximately 593.6 acres currently developed within the District. With respect to the remaining approximately 49.4 developable acres within the District, future bonds will provide for the reimbursement to developers for the underground utilities constructed to serve such acreage. Approximately 176.2 acres of land within the District are designated for public use, rights-of-way, open space, wetlands, easements and the water plant site, thus are not considered developable. The major trunk sewers and distribution lines were previously constructed to serve existing and future development; other lines will be added as development occurs.

- Wastewater System -

The District jointly owns, with Greenwood Utility District ("Greenwood"), a wastewater treatment plant ("WWTP") rated at 950,000 gallons per day ("gpd") that is operated by Greenwood. The District presently owns 558,790 gpd of the total capacity and Greenwood owns 379,210 gpd. With the expansion of the WWTP from proceeds of the Outstanding Bonds, the District will own 1,125,000 gpd and Greenwood, 750,000 gpd. Upon completion of the expanded WWTP, the District's share of the WWTP, which is projected to be completed by November 2023 will be capable of serving a minimum of 3,750 equivalent connections. The two districts have a contractual agreement whereby each district pays a fair share of capital improvements and operating costs.

A fully developed wastewater collection system was constructed using proceeds of the Outstanding Bonds. Sewer mains along Tidwell Road were sized to accommodate ultimate development, as currently planned, of the District. A 24" gravity sanitary sewer extends to the west along Tidwell Road to the WWTP. Additional sewer laterals will be constructed in the future as needed to serve development. Seven in-line lift stations, each with an emergency natural gas generator, are owned and operated by the District. The proceeds of this bond issue will include funds for an 8th lift station and forcemain to serve the developable acreage within the District.

-Waste Disposal Agreements-

The District is a party to a wastewater treatment agreement entered into on December 20, 1998 and amended and restated on July 9, 2019. Under such agreement, once Phase 1 of the wastewater treatment plant expansion (to be financed with proceeds of the Outstanding Bonds and a similar Greenwood bond issue) is completed, the District will own 1,125,000 gpd (60%) and Greenwood will own 750,000 gpd (40%) of the total 1,875,000 gpd plant. The District operates the plant and the agreement calls for each district to share capital project costs and fixed operating costs in relation to their respective ownership interests, with variable operating costs being paid in proportion to the number of gallons billed by each district to their respective customers.

- Water System -

The District currently owns a complete water plant, with a 1,093 gallon per minute ("gpm") water well (the TCEQ also recognizes the City of Houston as providing an additional 434 gpm of potable water, 730,000 gallons of ground storage in two tanks, two hydropneumatic tanks with 40,000 gallons of capacity, four 2,000 gpm service pumps, disinfectant facilities, electrical controls, emergency diesel generator and appurtenant equipment. According to the District's Engineer, the plant is in relatively good operating condition and can be expected to adequately serve approximately 3,300 ESFCs. The proceeds of this bond issue will include funds for preparation to construct a second water plant which will have capacity to serve in excess of 3,750 ESFC and be capable of serving the remaining developable acreage within the District. Its currently anticipated that the construction of the plant and a surface water line leading to the plant will be finance with bonds to be issued in the first half of 2024.

Although the District contracts with the City of Houston for wholesale potable water, at the rate of \$3.35 per thousand gallons, to supply 80% of the District's needs, the existing water plant remains in operation to supply water for the balance of its needs, to supply

water during periods of peak demands, and to provide reliability in the event transfer of water from City of Houston lines is interrupted for any reason.

Water mains were constructed within the boundaries of the District and were sized to accommodate future development. Lateral lines were constructed to serve the developed areas; additional lines must be constructed to serve areas to be developed in the future.

The District has an existing metered interconnect with Greenwood. The interconnect line along Tidwell Road transfers treated surface water purchased from the City of Houston, either directly to the District's ground storage tanks for repressurization or in an emergency, into the District's water distribution system and to each other when supply is interrupted in either district.

-Water Facility Agreement-

The District is a party to a water facilities agreement executed on January 20, 1999 and amended and restated on March 21, 2017. Under such agreement, the District and Greenwood equally own water facilities to receive water from the City of Houston and transmit such water to the two districts. The District operates the facilities and the agreement calls for each district to equally share capital project costs, with operating and maintenance costs being paid in proportion to the amount of water pumped from such facilities to the respective districts

- Stormwater Drainage -

All developed areas within the District have underground storm sewers that eventually discharge into storm water detention basins or an open channel drainage system. The storm sewer system was developed using proceeds of the Outstanding Bonds. Harris County has operation of some of the underground storm sewers; the Harris County Flood Control District maintains the open channel drainage system and the District maintains the basins.

According to the District's Engineer, the current Federal Emergency Management Agency Flood Insurance Rate Map ("FIRM") (Panels 705 and 710, Map No. 48201C0705M and Map No. 48201C0710M, effective date, January 6, 2007.

The District is a party to several contracts and agreements, summarized in part below. Copies of such contracts and agreements may be obtained from the District upon request.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. Additionally, the bonds are further secured by a pledge of the Net Revenues of the District's System all as defined and further described herein, however it is not currently anticipated that such Net Revenues will ever make any significant contribution to the District's annual debt service payments. The information included in the table below relating to the District's System operations is provided for informational purposes only.

	Fiscal Year Ended December 31 (a)				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES					
Property Taxes	\$950,237	\$902,634	\$710,211	\$658,794	\$595,411
Water Service	\$983,888	\$956,068	\$940,569	\$903,441	\$914,663
Wastewater Service	\$1,016,477	\$958,453	\$988,784	\$955,100	\$1,007,187
Groundwater Reduction Plan Fees	\$721,872	\$552,305	\$591,370	\$516,741	\$521,246
Lease Capacity					\$94,770
Special Assessment	\$68,325	\$63,000	\$63,000	\$63,000	\$63,000
Penalty and Interest	\$69,023	\$52,246	\$24,149	\$89,489	\$79,214
Tap Connection and Inspection Fees	\$10,115	\$8,148	\$8,722	\$169,235	\$8,653
Investment & Miscellaneous Revenues	<u>\$59,317</u>	<u>\$11,062</u>	<u>\$77,421</u>	<u>\$145,188</u>	<u>\$80,969</u>
TOTAL REVENUES	\$3,879,254	\$3,503,916	\$3,404,226	\$3,500,988	\$3,365,113
EXPENDITURES					
Professional Fees	\$326,665	\$318,311	\$241,749	\$280,469	\$331,997
Contracted Services	\$937,786	\$919,623	\$882,749	\$779,187	\$767,701
Purchased Water Service	\$645,612	\$575,601	\$559,062	\$542,547	\$581,279
Purchased Wastewater Service	\$446,120	\$339,429	\$342,840	\$417,363	\$466,866
Utilities	\$52,857	\$49,591	\$36,863	\$35,025	\$51,360
Repairs and Maintenance	\$535,143	\$546,322	\$613,945	\$945,819	\$643,296
Other	\$209,782	\$193,677	\$243,644	\$286,766	\$270,727
Capital Outlay	<u>\$559,009</u>	-	-	-	<u>\$225,082</u>
TOTAL EXPENDITURES (b)	\$3,712,974	\$2,942,554	\$2,920,852	\$3,287,176	\$3,338,308
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	\$166,280	\$561,362	\$483,374	\$213,812	\$26,805
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	-	-	\$56,439	\$128,975	-
NET CHANGE IN FUND BALANCE	\$166,280	\$561,362	\$539,813	\$342,787	\$26,805
BEGINNING FUND BALANCE	<u>\$2,841,470</u>	<u>\$2,280,108</u>	<u>\$1,740,295</u>	<u>\$1,397,508</u>	<u>\$1,370,703</u>
ENDING FUND BALANCE	<u>\$3,007,750</u>	<u>\$2,841,470</u>	<u>\$2,280,108</u>	<u>\$1,740,295</u>	<u>\$1,397,508</u>

(a) Data for fiscal years 2017 – 2020 is taken from District's prior years audited financial statements. See "APPENDIX A."

(b) As of March 8, 2023, the District's General Fund had a cash and investment balance of approximately \$3,884,351. For the fiscal year ended December 31, 2022, the District has experienced unaudited General Fund revenues of approximately \$3,907,162 and unaudited operating expenditures of approximately \$3,276,665. For the fiscal year ending December 31, 2023 the District is currently budgeting General Fund revenues of \$4,218,913 and General Fund expenditures of \$3,290,179.

DISTRICT DEBT
(Unaudited)

2022 Certified Taxable Value	\$514,142,096	(a)
Direct Debt		
Outstanding Bonds (as of April 1, 2023)	\$35,265,000	
The Bonds	<u>\$8,225,000</u>	
Total Direct Debt	\$43,490,000	
Estimated Overlapping Debt	<u>\$30,242,330</u>	
Direct and Estimated Overlapping Debt	\$73,732,330	
Percentage of Direct Debt to:		
2022 Certified Taxable Value	8.46%	
Percentage of Direct and Overlapping Debt to:		
2022 Certified Taxable Value	14.34%	
2022 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.41	
Maintenance Tax	<u>\$0.28</u>	
Total 2022 Tax Rate	\$0.69	

(a) Reflects the 2022 Certified Taxable Value according to data supplied to the District by HCAD. See "TAX DATA" and "TAXING PROCEDURES"

Estimated Overlapping Debt

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 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. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purpose in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction (a)</u>	<u>Approximate Outstanding Bonds</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Harris County	\$1,453,122,125	0.07%	\$1,075,762
Harris County Department of Education	\$20,185,000	0.07%	\$14,939
Harris County Flood Control District	\$797,615,000	0.08%	\$602,704
Harris County Hospital District	\$76,385,000	0.08%	\$64,704
Port of Houston Authority	\$445,749,397	0.09%	\$380,653
San Jacinto CCD	\$551,322,427	0.66%	\$3,622,733
Sheldon ISD	\$366,639,996	6.68%	\$24,480,836
Total Estimated Overlapping Debt			\$30,242,330
The District's Direct Debt (b)			\$43,490,000
Total Direct and Estimated Overlapping Debt			\$73,732,330

(a) Excludes Harris County Toll Road Tax and Revenue Bonds that have been paid from toll revenues.

(b) Includes the Bonds and excludes the Refunded Bonds.

TAX DATA

Tax Collections

The following table sets forth the historical tax collection experience of the District for the tax years 2018 through 2022 as of March 8, 2023. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information. According to the District's records during the past 11 years current tax collections have exceeded 97%.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Collections</u>	<u>Cumulative Collections %</u>	<u>Year End 9/30</u>
2022	\$514,142,096	\$0.690	\$3,547,580	\$3,040,276	(a)	2023
2021	\$433,805,455	\$0.710	\$3,080,019	\$3,049,219	99%	2022
2020	\$411,661,090	\$0.720	\$2,963,960	\$2,937,380	100%	2021
2019	\$378,566,087	\$0.753	\$2,849,890	\$2,830,655	100%	2020
2018	\$335,046,858	\$0.730	\$2,243,316	\$2,233,547	100%	2019

(a) The 2022 taxes are in the process of collections; such taxes became delinquent if not paid before February 1, 2023. As of February 10, 2023 the 2022 tax levy was 88.7% collected See "TAXING PROCEDURES."

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2018 through and including 2022.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt Service	\$0.41	\$0.49	0.50	0.564	\$0.53
Maintenance/Operation	<u>\$0.28</u>	<u>\$0.22</u>	<u>0.22</u>	<u>0.189</u>	<u>\$0.20</u>
Total	\$0.69	\$0.71	0.72	0.753	\$0.73

Additional Penalties

The District has contract with a delinquent tax attorney to collect certain delinquent taxes. In connection with that agreement, the District has established an additional penalty of 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.

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements; such maintenance tax was authorized by vote of the District's electors May 7, 2005. The District is authorized to levy such a maintenance tax in an unlimited amount per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future. The District levied a 2022 maintenance tax of \$0.28 per \$100 assessed valuation.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for 2018 through 2022.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuation</u>	<u>Exemptions</u>	<u>Taxable Valuation</u> (a)
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2022	\$129,623,214	\$428,411,920	\$92,905,409	\$650,940,543	\$136,798,447	\$514,142,096
2021	\$111,536,925	\$353,251,867	\$65,832,912	\$530,621,704	\$96,816,249	\$433,805,455
2020	\$110,064,756	\$327,281,540	\$76,490,553	\$513,836,849	\$102,175,759	\$411,661,090
2019	\$91,801,678	\$305,015,861	\$74,931,794	\$471,749,333	\$93,183,246	\$378,566,087
2018	\$57,755,457	\$278,337,100	\$72,944,296	\$409,036,853	\$73,989,995	\$335,046,858

(a) Reflects the Gross Valuations data supplied by HCAD less exemptions.

Estimated Overlapping Taxes

The following table sets forth all 2022 taxes levied by overlapping taxing jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2022 Tax Rate per \$100 Assessed Valuation</u>
San Jacinto College District	\$0.155605
Sheldon ISD	\$1.415000
Harris County (a)	\$0.535480
Emergency Service District No. 60	\$0.050000
Emergency Service District No. 2	<u>\$0.030000</u>
Overlapping Taxes	\$2.186085
 The District	 <u>\$0.690000</u>
Direct and Overlapping Taxes	\$2.876085

(a) Includes taxes levied by Harris County, Port of Houston Authority, Harris County Flood Control District, Harris County Hospital District, and Harris County Department of Education.

Principal Taxpayers

The following table sets forth the District's principal taxpayers and was provided by the District's Tax Assessor/Collector based upon the 2022 certified tax roll (which reflects ownership of property as of January 1, 2022) according to HCAD.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2022 Taxable Value</u>	<u>% of Total</u>
Maverick Tube Corporation	Industrial	\$37,124,075	7.22%
Tenaris Coiled Tubes LLC	Industrial/Vacant Commercial	\$24,297,816	4.73%
Superior Threaded Products LP	Industrial/Commercial	\$10,280,152	2.00%
FP Houson Apartments LLC	Multi-family	\$10,157,342	1.98%
Saipem SPA - Mexico Branch	Industrial	\$6,864,458	1.34%
SPR Sub LLC	Lots/Houses	\$5,666,568	1.10%
Amerector Properties Inc	Commercial	\$5,069,438	0.99%
B&L Pipeco Services	Industrial	\$4,994,571	0.97%
Rutherford Park LP	Multi-family	\$4,947,330	0.96%
America Homes 4 Rent	Lots/Houses	\$4,804,495	0.93%
		\$114,206,245	22.21%

Tax Adequacy for Debt Service

The calculations shown below are solely for the purpose of illustration and assume no increase in assessed valuation over the values listed below as provided by HCAD, and use a tax rate adequate to service the District's total debt service requirements following issuance of the Bonds. Surplus balances in the debt service fund, the capital projects fund, and the general fund are not reflected in these computations.

Maximum Annual Debt Service Requirements (2036).....	\$2,679,525
\$0.55 Tax Rate on the 2022 Taxable Value of \$514,142,096 @ 95% collections produces.....	\$2,686,392

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District has previously or may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS - Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS - Sources of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters. See "TAX DATA - Maintenance Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris Central, including the District. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property in the District is subject to taxation by the District. However, the District makes no effort to collect taxes on personal property, other than on personal property rendered for taxation, business inventories, and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas, and mineral interests owned by an institution of higher education; certain property owned and used for qualified

purposes by certain charitable religious, education and other organizations, designated historical sites; solar and wind-powered energy devices; and most individually-owned automobiles.

Senior Citizen/Disabled Exemptions: 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 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. The District has granted a \$10,000 senior citizen/disabled exemption for tax year 2023.

Veterans Exemptions: 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 \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, and subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 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 by May 1. The District has a 20% residential homestead exemption each year (including 2023) since 2004; it is currently anticipated that the District will continue to grant a residential a homestead exemption in future years.

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

Tax Abatement

Either 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, 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 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 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, 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 value 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.

The Property Tax Code requires the HCAD 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 HCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by the HCAD or whether reappraisals will be conducted on a zone-wide or county-wide basis. The District, however, at its expense, has the right to obtain from the HCAD 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 HCAD 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% 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, HCAD 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 orders of the Appraisal Review Board by filing a timely petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the HCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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, 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 (as determined by the District). Additionally, the owner of a residential homestead property who is (i) a person 65 years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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 the maintenance and operations tax rate that would impose 1.08 times the amount of the 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 the maintenance and operations tax rate that would impose 1.035 times the amount of the operation and maintenance tax rate subject to certain homestead exemptions plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 the maintenance and operations tax rate that would impose 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 is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2022 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax

lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 and land designated for agricultural use and six months for all other 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 months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collections."

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes or the property in four equal quarterly installments by notice of the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1, but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a district's collection of taxes for debt services in the year following a disaster.

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be subject to and accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the tax revenue, based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, subject to the matters described in "TAX MATTERS" below, interest on the Bonds is excludable from gross income of the holders for federal tax

purposes under existing law, and interest on the Bonds will not be subject to the federal alternative minimum tax on the owners thereof.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT – Authority, Purpose, and Functions," "TAXING PROCEDURES," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS" (as it describes the opinion of Bond Counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12" (except for – "Compliance with Prior Undertakings") solely to determine whether such information in all material respects fairly and accurately summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it investigated the affairs of the District or any developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of Bond Counsel 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, except as stated above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to an opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that, pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Code") and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes will: (1) be excludable from the gross income, as defined in Section 61 of the Code, of the owners thereof, and (2) not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), S corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on

the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of Premium Bonds should consult with their own tax advisors to determine the amortizable bond premium on the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds designated by the District

as "qualified tax-exempt obligations" and issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2023.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the Bond Order, 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 specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access ("EMMA"), within six months after the end of each fiscal year of the District ending in or after 2022, financial information and operating data with respect to the District of the general type included in "DISTRICT DEBT" (excluding "-Estimated Overlapping Debt"), "TAX DATA," (excluding "-Estimated Overlapping Taxes") and "APPENDIX A" of this Official Statement. If audited financial statements for the District are not available within such period, then the District shall provide its audited financial statements for the applicable fiscal year to the MSRB via EMMA when such audited financial statements become available.

The District's current fiscal year end is December 31. Accordingly, the District must provide updated information by June 30. If the District changes its fiscal year, the District will notify the MSRB via EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to the Bond Order.

Specified Event Notices

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders 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, which shall occur as described below;

- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

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 Order make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Bond Order.

Limitations and Amendments

The District is obligated to observe and perform the covenants specified in the Bond Order for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice of any Bond calls and defeasance that cause the District to be no longer such an “obligated person.”

The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with the Bond Order or otherwise, except as expressly provided therein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR REGISTERED OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE BOND ORDER, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under the Bond Order shall constitute a breach of or default for purposes of any other provision of the Bond Order.

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Bond Order may be amended by the District 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 or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and Registered Owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in an explanation, in narrative form, of the reasons for

the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance with Prior Undertakings

The District failed to timely make its annual continuing disclosure filing for its fiscal year ended December 31, 2019. The District subsequently filed the missing information, including the notices of late filing, and has enacted procedures to ensure such oversights do not occur in the future with respect to any of the District's annual filing obligations. Otherwise, during the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, HCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, resolutions, and engineering and other related reports set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

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

Financial Advisor

The Official Statement was compiled and edited under the supervision of The GMS Group, L.L.C., (the "Financial Advisor"). The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore, such fees are contingent on the sale and delivery of the Bonds.

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters generally, to the description of the System, and, in particular, that information included in the sections entitled "RISK FACTORS -- Future Debt," "THE DISTRICT -- Description and Location" and "THE SYSTEM" has been provided by Quiddity Engineering, LLC and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Harris Central Appraisal District and by Assessments of the Southwest, Inc., Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as its independent auditor. A copy of the District's audit for the fiscal year ended December 31, 2022, is included in Appendix A hereto.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the 91st day after the "end of the underwriting period" (as defined in SEC Rule 15c2-12(f)(2)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

Certification of 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 the 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 of such matters and makes no representation as to the accuracy or completeness thereof.

This Official Statement was approved by the Board of Directors of Parkway Utility District as of the date shown on the cover page.

APPENDIX A

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2022

PARKWAY UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022

PARKWAY UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parkway Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Parkway Utility District (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Parkway Utility District

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 12, 2023

**PARKWAY UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Management’s discussion and analysis of the financial performance of Parkway Utility District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**PARKWAY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,183,715 as of December 31, 2022. A portion of the District's net position reflects its net investment in capital assets (buildings and trails, as well as the water, wastewater, and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**PARKWAY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 16,190,041	\$ 21,978,344	\$ (5,788,303)
Capital Assets (Net of Accumulated Depreciation)	33,420,708	27,451,334	5,969,374
Total Assets	\$ 49,610,749	\$ 49,429,678	\$ 181,071
Deferred Outflows of Resources	\$ 317,821	\$ 195,376	\$ 122,445
Bonds Payable	\$ 37,012,924	\$ 37,845,611	\$ 832,687
Other Liabilities	3,197,939	3,099,083	(98,856)
Total Liabilities	\$ 40,210,863	\$ 40,944,694	\$ 733,831
Deferred Inflows of Resources	\$ 3,533,992	\$ 3,130,045	\$ (403,947)
Net Position:			
Net Investment in Capital Assets	\$ 2,018,486	\$ 1,207,103	\$ 811,383
Restricted	1,083,017	1,361,536	(278,519)
Unrestricted	3,082,212	2,981,676	100,536
Total Net Position	\$ 6,183,715	\$ 5,550,315	\$ 633,400

The following table provides a summary of the District's operations for the years ending December 31, 2022, and December 31, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,076,232	\$ 2,954,359	\$ 121,873
Charges for Services	2,938,513	2,656,051	282,462
Other Revenues	217,428	18,722	198,706
Total Revenues	\$ 6,232,173	\$ 5,629,132	\$ 603,041
Expenses for Services	5,598,773	5,092,328	(506,445)
Change in Net Position	\$ 633,400	\$ 536,804	\$ 96,596
Net Position, Beginning of Year	5,550,315	5,013,511	536,804
Net Position, End of Year	\$ 6,183,715	\$ 5,550,315	\$ 633,400

**PARKWAY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2022, were \$10,090,829, a decrease of \$6,092,897 from the prior year.

The General Fund fund balance increased by \$166,280, primarily due to service revenues and property tax revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$146,054, primarily due to the structure of the District's outstanding debt and the sale of refunding bonds.

The Capital Projects Fund fund balance decreased by \$6,113,123. The District used bond proceeds received in the prior year to fund current year capital expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. This budget was not amended. Actual revenues were \$299,234 more than budgeted revenues and actual expenditures were \$576,226 more than budgeted expenditures which resulted in a negative budget to actual variance of \$276,992. See the budget to actual comparison for more detail.

CAPITAL ASSETS

Capital assets as of December 31, 2022, total \$33,420,708 (net of accumulated depreciation) and include land, buildings, equipment and trails as well as the water, wastewater and drainage systems. Capital asset activity consisted of improvements and rehabilitation to the District's water facilities and wastewater treatment facilities as well as the District's share of improvements to the joint facilities shared with Greenwood Utility District.

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 970,266	\$ 970,266	\$
Construction in Progress	9,464,229	5,220,288	4,243,941
Capital Assets Subject to Depreciation:			
Buildings and Improvements	564,973	521,303	43,670
Hike and Bike Trails	334,994	334,994	
Water System	12,145,825	11,816,688	329,137
Wastewater System	15,331,301	13,140,473	2,190,828
Drainage System	8,166,531	8,166,531	
Less Accumulated Depreciation	(13,557,411)	(12,719,209)	(838,202)
Total Net Capital Assets	\$ 33,420,708	\$ 27,451,334	\$ 5,969,374

**PARKWAY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of \$36,080,000. The changes in the debt position of the District during the fiscal year ended December 31, 2022, are summarized as follows:

Bond Debt Payable, January 1, 2022	\$ 38,390,000
Add: Refunding Bonds - Series 2022	15,940,000
Less: Bond Principal Paid and Refunded	<u>(18,250,000)</u>
Bond Debt Payable, December 31, 2022	<u>\$ 36,080,000</u>

The District's outstanding bonds carry underlying ratings of BBB or BBB+ from Standard and Poor's Rating Service. The District's bonds carry insured ratings of AA-, AA, or AA+ by virtue of bond insurance issued by Build America Mutual Assurance Company, Assured Guaranty Municipal, or National Public Finance Guarantee Corporation. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Parkway Utility District, c/o Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

PARKWAY UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 505,656	\$ 1,574,512
Investments	2,990,073	1,501,963
Receivables:		
Property Taxes	804,127	1,237,075
Penalty and Interest on Delinquent Taxes		
Service Accounts	278,655	
Due from Other Funds	668,901	
Prepaid Costs	1,000	
Advance for Water Plant Operations	154,699	
Advance for Wastewater Treatment Plant Operations	78,402	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 5,481,513	\$ 4,313,550
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,481,513	\$ 4,313,550

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 105,781	\$ 2,185,949	\$	\$ 2,185,949
6,773,373	11,265,409		11,265,409
	2,041,202		2,041,202
		76,295	76,295
	278,655		278,655
	668,901	(668,901)	
64,336	65,336	44,094	109,430
	154,699		154,699
	78,402		78,402
		970,266	970,266
		9,464,229	9,464,229
		22,986,213	22,986,213
<u>\$ 6,943,490</u>	<u>\$ 16,738,553</u>	<u>\$ 32,872,196</u>	<u>\$ 49,610,749</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 317,821</u>	<u>\$ 317,821</u>
<u>\$ 6,943,490</u>	<u>\$ 16,738,553</u>	<u>\$ 33,190,017</u>	<u>\$ 49,928,570</u>

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

PARKWAY UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2022

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 497,891	\$ 1,810
Accrued Interest Payable		
Due to Other Funds		630,441
Security Deposits	511,420	
Accrued Interest at Time of Sale		26,242
Due to Developers		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,009,311	\$ 658,493
DEFERRED INFLOWS OF RESOURCES		
2022 Property Tax Levy	\$ 1,434,084	\$ 2,099,908
Prior Tax Levies	30,368	104,072
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,464,452	\$ 2,203,980
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 1,000	\$
Water Plant Operations	154,699	
Wastewater Treatment Plant Operations	78,402	
Restricted for Authorized Construction		
Restricted for Debt Service		1,451,077
Unassigned	2,773,649	
TOTAL FUND BALANCES	\$ 3,007,750	\$ 1,451,077
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,481,513	\$ 4,313,550
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,273,028	\$ 1,772,729	\$	\$ 1,772,729
		574,669	574,669
38,460	668,901	(668,901)	
	511,420		511,420
	26,242	(26,242)	
		339,121	339,121
		815,000	815,000
		<u>36,197,924</u>	<u>36,197,924</u>
<u>\$ 1,311,488</u>	<u>\$ 2,979,292</u>	<u>\$ 37,231,571</u>	<u>\$ 40,210,863</u>
\$	\$ 3,533,992	\$	\$ 3,533,992
	134,440	(134,440)	
<u>\$ -0-</u>	<u>\$ 3,668,432</u>	<u>\$ (134,440)</u>	<u>\$ 3,533,992</u>
\$ 64,336	\$ 65,336	\$ (65,336)	\$
	154,699	(154,699)	
	78,402	(78,402)	
5,567,666	5,567,666	(5,567,666)	
	1,451,077	(1,451,077)	
	<u>2,773,649</u>	<u>(2,773,649)</u>	
<u>\$ 5,632,002</u>	<u>\$ 10,090,829</u>	<u>\$ (10,090,829)</u>	<u>\$ -0-</u>
<u>\$ 6,943,490</u>	<u>\$ 16,738,553</u>		
		\$ 2,018,486	\$ 2,018,486
		1,083,017	1,083,017
		<u>3,082,212</u>	<u>3,082,212</u>
		<u>\$ 6,183,715</u>	<u>\$ 6,183,715</u>

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

PARKWAY UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Total Fund Balances - Governmental Funds \$ 10,090,829

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

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District. 210,735

Prepaid bond insurance costs in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. 44,094

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 33,420,708

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 317,821

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

Accrued Interest Payable	\$ (548,427)	
Due to Developer	(339,121)	
Bonds Payable	<u>(37,012,924)</u>	<u>(37,900,472)</u>

Total Net Position - Governmental Activities \$ 6,183,715

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

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PARKWAY UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 950,237	\$ 2,117,452
Water Service	983,888	
Wastewater Service	1,016,477	
Groundwater Reduction Plan Fees	721,872	
Special Assessment	68,325	
Penalty and Interest	69,023	52,977
Tap Connection and Inspection Fees	14,181	
Investment and Miscellaneous Revenues	55,251	25,846
TOTAL REVENUES	\$ 3,879,254	\$ 2,196,275
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 326,665	\$ 22,485
Contracted Services	937,786	58,011
Purchased Water Service	645,612	
Purchased Wastewater Service	446,120	
Utilities	52,857	
Repairs and Maintenance	535,143	
Depreciation		
Other	209,782	11,616
Capital Outlay	559,009	
Debt Service:		
Bond Principal		1,140,000
Bond Interest		869,032
Bond Issuance Costs		516,990
Payment to Refunding Escrow Agent		245,000
TOTAL EXPENDITURES/EXPENSES	\$ 3,712,974	\$ 2,863,134
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 166,280	\$ (666,859)
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-Term Debt	\$	\$ 15,940,000
Payment to Refunding Bond Escrow Agent		(16,892,184)
Bond Premium		1,472,989
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 520,805
NET CHANGE IN FUND BALANCES	\$ 166,280	\$ (146,054)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2022	2,841,470	1,597,131
FUND BALANCES/NET POSITION - DECEMBER 31, 2022	\$ 3,007,750	\$ 1,451,077

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,067,689	\$ 8,543	\$ 3,076,232
	983,888		983,888
	1,016,477		1,016,477
	721,872		721,872
	68,325		68,325
	122,000	11,770	133,770
	14,181		14,181
136,331	217,428		217,428
<u>\$ 136,331</u>	<u>\$ 6,211,860</u>	<u>\$ 20,313</u>	<u>\$ 6,232,173</u>
\$	\$ 349,150	\$	\$ 349,150
	995,797		995,797
	645,612		645,612
	446,120		446,120
	52,857		52,857
	535,143		535,143
		838,202	838,202
887	222,285		222,285
6,248,567	6,807,576	(6,807,576)	
	1,140,000	(1,140,000)	
	869,032	174,547	1,043,579
	516,990	(46,962)	470,028
	245,000	(245,000)	
<u>\$ 6,249,454</u>	<u>\$ 12,825,562</u>	<u>\$ (7,226,789)</u>	<u>\$ 5,598,773</u>
<u>\$ (6,113,123)</u>	<u>\$ (6,613,702)</u>	<u>\$ 7,247,102</u>	<u>\$ 633,400</u>
\$	\$ 15,940,000	\$ (15,940,000)	\$
	(16,892,184)	16,892,184	
	1,472,989	(1,472,989)	
<u>\$ -0-</u>	<u>\$ 520,805</u>	<u>\$ (520,805)</u>	<u>\$ -0-</u>
\$ (6,113,123)	\$ (6,092,897)	\$ 6,092,897	\$
		633,400	633,400
11,745,125	16,183,726	(10,633,411)	5,550,315
<u>\$ 5,632,002</u>	<u>\$ 10,090,829</u>	<u>\$ (3,907,114)</u>	<u>\$ 6,183,715</u>

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

PARKWAY UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balances - Governmental Funds	\$ (6,092,897)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	8,543
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	11,770
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(838,202)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	6,807,576
In the Statement of Net Position, bond premiums and bond insurance premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(1,426,027)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,140,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(174,547)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(15,940,000)
Governmental funds report payments to the refunded bond escrow agent as an other financing use or as an expenditure if paid from District funds. The refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	17,137,184
Change in Net Position - Governmental Activities	\$ <u>633,400</u>

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

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. CREATION OF DISTRICT

Parkway Utility District located in Harris County, Texas (the “District”) was created by Acts of the 61st Legislature of the State of Texas, Regular Session, 1969, as a water control and improvement district in accordance with the Texas Water Code, Chapter 51. On April 23, 1976, the District was converted to a municipal utility district by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), and validity exists pursuant to Article XVI, Section 59 of the Constitution of the State of Texas as a utility district operating pursuant to Chapters 49 and 54, Water Code. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on January 10, 1971, and the first bonds were sold on December 22, 1971.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has entered into agreements with Greenwood Utility District (“Greenwood”) for the operations and maintenance of a regional wastewater treatment plant facility and a surface water facility. Greenwood has oversight responsibility over both facilities. Additional disclosure concerning these joint ventures is provided in Notes 8 and 9.

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2021 tax levy collections during the period October 1, 2021 to December 31, 2022, and taxes collected from January 1, 2022 to December 31, 2022, for the 2020 and prior tax levies. The 2022 tax levy has been fully deferred to meet the cost of operations for the 2023 fiscal year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2022, the Capital Projects Fund owed the General Fund \$38,460 for capital expenditures, the Debt Service Fund owed the General Fund \$618,500 for maintenance tax revenues and \$11,941 for arbitrage rebate calculation costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Improvements	40
Hike and Bike Trails	20
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding the changes in bonds payable for the year-ended December 31, 2022:

	January 1, 2022	Additions	Retirements	December 31, 2022
Bonds Payable	\$ 38,390,000	\$ 15,940,000	\$ 18,250,000	\$ 36,080,000
Unamortized Discounts	(664,542)		(214,437)	(450,105)
Unamortized Premiums	<u>120,153</u>	<u>1,472,989</u>	<u>210,113</u>	<u>1,383,029</u>
Bonds Payable, Net	<u>\$ 37,845,611</u>	<u>\$ 17,412,989</u>	<u>\$ 18,245,676</u>	<u>\$ 37,012,924</u>
			Amount Due Within One Year	\$ 815,000
			Amount Due After One Year	<u>36,197,924</u>
			Bonds Payable, Net	<u>\$ 37,012,924</u>

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3. LONG-TERM DEBT (Continued)

The District's bonds payable at December 31, 2022, consists of the following bonds:

	Series 2015 Refunding	Series 2016	Series 2020	Series 2022 Refunding
Amount Outstanding – December 31, 2022	\$590,000	\$2,840,000	\$16,710,000	\$15,940,000
Interest Rates	3.00%	1.75% - 3.00%	2.25% - 5.00%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2023/2024	March 1, 2023/2036	March 1, 2023/2044	March 1, 2023/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2022 (1)	March 1, 2023 (1)	September 1, 2026 (1)	September 1, 2032 (1)

(1) Or any date thereafter at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2016 term bonds due March 1, 2029, 2032 and 2035 are subject to mandatory redemption beginning March 1, 2027, 2030 and 2033, respectively. Series 2020 term bonds due March 1, 2031 and 2036 are subject to mandatory redemption beginning March 1, 2027 and 2032, respectively.

As of December 31, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 815,000	\$ 1,388,432	\$ 2,203,432
2024	1,140,000	1,084,844	2,224,844
2025	1,185,000	1,041,444	2,226,444
2026	1,230,000	994,744	2,224,744
2027	1,280,000	946,218	2,226,218
2028-2032	7,200,000	3,932,926	11,132,926
2033-2037	8,650,000	2,592,743	11,242,743
2038-2042	10,085,000	1,317,309	11,402,309
2043-2044	4,495,000	124,644	4,619,644
	<u>\$ 36,080,000</u>	<u>\$ 13,423,304</u>	<u>\$ 49,503,304</u>

As of December 31, 2022, the District had authorized but unissued bonds in the amount of \$33,015,000 for utility facilities and \$9,750,000 for parks. The District has the authority to issue refunding bonds of up to 150% of the remaining outstanding bonds.

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3. LONG-TERM DEBT (Continued)

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

During the year ended December 31, 2022, the District levied an ad valorem debt service tax rate of \$0.41 per \$100 of assessed valuation, which resulted in a tax levy of \$2,099,908 on the adjusted taxable valuation of \$512,172,759 for the 2022 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$2,185,949 and the bank balance was \$2,214,574. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2022, as listed below:

	Cash
GENERAL FUND	\$ 505,656
DEBT SERVICE FUND	1,574,512
CAPITAL PROJECTS FUND	105,781
TOTAL DEPOSITS	\$ 2,185,949

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

As of December 31, 2022, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities - Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 151,503	\$ 151,503
Texas CLASS	2,838,570	2,838,570
<u>DEBT SERVICE FUND</u>		
TexPool	156,341	156,341
Texas CLASS	1,345,622	1,345,622
<u>CAPITAL PROJECTS FUND</u>		
TexPool	75,032	75,032
Texas CLASS	<u>6,698,341</u>	<u>6,698,341</u>
TOTAL INVESTMENTS	<u>\$ 11,265,409</u>	<u>\$ 11,265,409</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2022, the District’s investments in TexPool and Texas CLASS were rated AAAM by Standard and Poor’s.

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is as follows:

	January 1, 2022	Increases	Decreases	December 31, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 970,266	\$	\$	\$ 970,266
Construction in Progress	<u>5,220,288</u>	<u>6,807,576</u>	<u>2,563,635</u>	<u>9,464,229</u>
Total Capital Assets Not Being Depreciated	<u>\$ 6,190,554</u>	<u>\$ 6,807,576</u>	<u>\$ 2,563,635</u>	<u>\$ 10,434,495</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 521,303	\$ 43,670	\$	\$ 564,973
Hike and Bike Trails	334,994			334,994
Water System	11,816,688	329,137		12,145,825
Wastewater System	13,140,473	2,190,828		15,331,301
Drainage System	<u>8,166,531</u>			<u>8,166,531</u>
Total Capital Assets Subject to Depreciation	<u>\$ 33,979,989</u>	<u>\$ 2,563,635</u>	<u>\$ - 0 -</u>	<u>\$ 36,543,624</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 191,763	\$ 15,728	\$	\$ 207,491
Hike and Bike Trails	144,489	14,540		159,029
Water System	3,599,612	285,353		3,884,965
Wastewater System	5,762,976	340,312		6,103,288
Drainage System	<u>3,020,369</u>	<u>182,269</u>		<u>3,202,638</u>
Total Accumulated Depreciation	<u>\$ 12,719,209</u>	<u>\$ 838,202</u>	<u>\$ - 0 -</u>	<u>\$ 13,557,411</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,260,780</u>	<u>\$ 1,725,433</u>	<u>\$ - 0 -</u>	<u>\$ 22,986,213</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,451,334</u>	<u>\$ 8,533,009</u>	<u>\$ 2,563,635</u>	<u>\$ 33,420,708</u>

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7. MAINTENANCE TAX

On May 10, 2014, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2022, the District levied an ad valorem maintenance tax rate of \$0.28 per \$100 of assessed valuation, which resulted in a tax levy of \$1,434,084 on the adjusted taxable valuation of \$512,172,759 for the 2022 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and sanitary sewer system. The 2022 tax levy has been fully deferred to meet the cost of operations for the 2023 fiscal year.

NOTE 8. WASTE DISPOSAL AGREEMENT

The District is party to a wastewater treatment agreement entered into on December 20, 1998, and amended and restated on July 9, 2019. The District owns approximately 558,790 gpd of the 950,000 gpd Greenwood Regional Wastewater Treatment Plant (“Plant”). Greenwood operates the Plant. The variable costs of operating the Plant are allocated to the participants based upon the ratio of the number of gallons billed by each participant to their respective customers. Capital costs, including extraordinary repairs, improvements and modifications are payable in accordance with each district’s ownership capacity. The term of this agreement is 40 years.

The following balances were recorded as of December 31, 2022:

	<u>Greenwood Utility District</u>	<u>Parkway Utility District</u>	<u>Total</u>
Balance Receivable from Participants	\$ 38,700	\$ 132,340	\$ 171,040
Operating Advance - January 1, 2022	\$ 105,442	\$ 78,904	\$ 184,346
Change in Operating Advance	<u>958</u>	<u>(502)</u>	<u>456</u>
Operating Advance - December 31, 2022	<u>\$ 106,400</u>	<u>\$ 78,402</u>	<u>\$ 184,802</u>

The District recorded total expenditures of \$446,120 as its share of the operating cost of the plant. Financial statements for Greenwood may be obtained by contacting Greenwood’s attorney, Radcliffe Adams Barner PLLC.

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8. WASTE DISPOSAL AGREEMENT (Continued)

Summary financial data for the plant is presented for the year ended December 31, 2022:

Total Assets	\$ 255,933
Total Liabilities	<u>71,131</u>
Fund Balance (Operating Advances)	<u>\$ 184,802</u>
Total Revenues	\$ 969,652
Total Expenditures	<u>969,652</u>
Change in Fund Balance	\$ -0-
Increase in Operating Advances	456
Fund Balance - Restricted for Operations - January 1, 2022	<u>184,346</u>
Fund Balance - Restricted for Operations - December 31, 2022	<u>\$ 184,802</u>

NOTE 9. WATER SUPPLY AGREEMENT

The District entered into a water facilities agreement on July 16, 1997, and a surface water facilities agreement on January 20, 1999, with Greenwood Utility District to provide for the financing, construction, ownership, operation and maintenance of water and surface water facilities. On March 21, 2017, the surface water facilities agreement was amended. The participants receive water from the City of Houston. Greenwood operates the water and surface water facilities. Variable costs of operating the facilities are allocated to the participants based upon the ratio of the number of gallons billed by each participant to their respective customers while capital costs are shared equally. The term of this agreement is 40 years. These joint facilities are accounted for in the Special Revenue Fund of Greenwood. The following balances were recorded as of December 31, 2022:

	<u>Greenwood Utility District</u>	<u>Parkway Utility District</u>	<u>Total</u>
Balance Receivable from Participants	<u>\$ 147,309</u>	<u>\$ 200,539</u>	<u>\$ 347,848</u>
Operating Advance - January 1, 2022	\$ 203,436	\$ 152,564	\$ 356,000
Change in Operating Advance	<u>7,717</u>	<u>2,135</u>	<u>9,852</u>
Operating Advance - December 31, 2022	<u>\$ 211,153</u>	<u>\$ 154,699</u>	<u>\$ 365,852</u>

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9. WATER SUPPLY AGREEMENT (Continued)

The District recorded total expenditures of \$645,612 for purchased water. Financial statements for Greenwood may be obtained by contacting Greenwood’s attorney, Radcliffe Adams Barner PLLC.

Summary financial data for the plant is presented for the year ended December 31, 2022:

Total Assets	\$ 493,415
Total Liabilities	<u>127,563</u>
Fund Balance (Operating Advances)	<u>\$ 365,852</u>
Total Revenues	\$ 1,506,879
Total Expenditures	<u>1,506,879</u>
Change in Fund Balance	\$ -0-
Change in Reserve	9,852
Fund Balance - Restricted for Operations - January 1, 2022	<u>356,000</u>
Fund Balance - Restricted for Operations - December 31, 2022	<u>\$ 365,852</u>

NOTE 10. SPECIAL ASSESSMENT REVENUE

Per the District’s rate order, out-of-District entities receiving water and wastewater service will be assessed a monthly payment in addition to their water and sewer bills. The amount of this special assessment is based on the ad valorem taxes that would be due to the District if the entity were in the District. During the fiscal year ended December 31, 2022, the District received \$68,325 in revenue from these special assessments.

NOTE 11. UNREIMBURSED COSTS

In accordance with the terms of certain development financing agreements, developers within the District have made expenditures on behalf of the District for water, sewer and drainage facilities. The District is obligated to reimburse the developers from bond proceeds or other available funds.

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 12. 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.

NOTE 13. REFUNDING BOND SALE

On March 17, 2022, the District issued its \$15,940,000 Series 2022 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds. Proceeds were used to refund \$3,480,000 of the Series 2012 Refunding Bonds with maturities of 2023 through 2027 and interest rate of 4.00%; \$1,525,000 of the Series 2013 Bonds with maturities of 2023 through 2034 and interest rates of 3.00% to 4.00%; \$3,775,000 of the Series 2013 Refunding Bonds with maturities of 2023 through 2030 and interest rates of 3.125% to 3.500%; \$2,905,000 of the Series 2014 Bonds with maturities of 2023 through 2035 and interest rates of 3.00% to 3.625%; and \$5,425,000 of the Series 2015 Refunding Bonds with maturities of 2025 through 2033 and interest rates of 3.00% to 4.00%. The refunded bonds were redeemed on March 17, 2022. The refunding resulted in gross debt service savings of \$1,195,298 and net present value savings of \$1,006,786.

NOTE 14. SUBSEQUENT EVENT - BOND SALE

On or about May 10, 2023, the District plans to close on the sale of its \$8,225,000 Series 2023 Waterworks and Sanitary Sewer System Combination Unlimited Tax and Revenue Bonds. Proceeds will be used to pay for engineering and construction costs related to: Water Plant No. 2 clearing, grubbing and detention; Offsite Lift Station No. 8 and Force Main; Water Well No. 1 re-work; Global New Millennium sanitary sewer extension; and Surface Water Transmission Facility expansion. Additional bond proceeds will be used to fund capitalized interest and bond issuance costs.

NOTE 15. SUBSEQUENT EVENT - SURPLUS FUNDS APPROVAL

On January 20, 2023, the Commission approved the use of surplus bond funds totaling \$1,400,000 to pay for land acquisition costs associated with Water Plant No. 2.

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PARKWAY UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

PARKWAY UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 890,220	\$ 950,237	\$ 60,017
Water Service	948,000	983,888	35,888
Wastewater Service	1,020,000	1,016,477	(3,523)
Groundwater Reduction Plan Fees	588,000	721,872	133,872
Special Assessment	63,000	68,325	5,325
Penalty and Interest	48,000	69,023	21,023
Tap Connection and Inspection Fees	8,400	14,181	5,781
Investment and Miscellaneous Revenues	<u>14,400</u>	<u>55,251</u>	<u>40,851</u>
TOTAL REVENUES	<u>\$ 3,580,020</u>	<u>\$ 3,879,254</u>	<u>\$ 299,234</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 253,750	\$ 326,665	\$ (72,915)
Contracted Services	974,716	937,786	36,930
Purchased Water Service	622,975	645,612	(22,637)
Purchased Wastewater Service	347,429	446,120	(98,691)
Utilities	56,700	52,857	3,843
Repairs and Maintenance	651,327	535,143	116,184
Other	229,851	209,782	20,069
Capital Outlay	<u> </u>	<u>559,009</u>	<u>(559,009)</u>
TOTAL EXPENDITURES	<u>\$ 3,136,748</u>	<u>\$ 3,712,974</u>	<u>\$ (576,226)</u>
NET CHANGE IN FUND BALANCE	\$ 443,272	\$ 166,280	\$ (276,992)
FUND BALANCE - JANUARY 1, 2022	<u>2,841,470</u>	<u>2,841,470</u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2022	<u><u>\$ 3,284,742</u></u>	<u><u>\$ 3,007,750</u></u>	<u><u>\$ (276,992)</u></u>

See accompanying independent auditor's report.

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PARKWAY UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2022

**PARKWAY UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

2. RETAIL SERVICE PROVIDERS

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

The rates below are based on the rate order approved December 14, 2022.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 15.00	2,000	N	\$ 2.00 \$ 3.00 \$ 3.75 \$ 4.00 \$ 7.00 \$ 7.75 \$ 8.30 \$ 10.25	2,001 to 3,000 3,001 to 5,000 5,001 to 6,000 6,001 to 9,000 9,001 to 12,000 12,001 to 14,000 14,001 to 20,000 20,001 and up
WASTEWATER:	\$ 29.40	6,000	N	\$ 1.50	6,001 and up
SURCHARGE: Groundwater Reduction Fees	\$3.91 + 10% per 1,000				

District employs winter averaging for wastewater usage?

_____	<u>X</u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$45.75 Wastewater: \$35.40 Surcharge: \$43.00

See accompanying independent auditor's report.

**PARKWAY UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	2,393	2,383	x 1.0	2,383
1"	6	6	x 2.5	15
1½"	5	5	x 5.0	25
2"	24	24	x 8.0	192
3"	1	1	x 15.0	15
4"			x 25.0	
6"	1	1	x 50.0	50
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	<u>2,432</u>	<u>2,422</u>		<u>2,840</u>
Total Wastewater Connections	<u>2,406</u>	<u>2,396</u>	x 1.0	<u>2,396</u>

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

Gallons pumped:	71,673,000	Water Accountability Ratio: 92 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	175,278,000	
Gallons purchased:	122,581,000	From: <u>City of Houston, Texas</u>
Gallons purchased:	41,307,000	From: <u>Greenwood Utility District</u>
Gallons sold:	40,920,000	To: <u>Greenwood Utility District</u>

See accompanying independent auditor's report.

**PARKWAY UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**PARKWAY UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2022**

PROFESSIONAL FEES:	
Arbitrage	\$ 9,650
Auditing	21,000
Engineering	196,921
Legal	98,294
Financial Advisor	800
TOTAL PROFESSIONAL FEES	<u>\$ 326,665</u>
PURCHASED WATER SERVICE	<u>\$ 645,612</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 446,120</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 41,229
Operations and Billing	113,740
Management Fees	42,000
Solid Waste Disposal	436,292
Security	304,525
TOTAL CONTRACTED SERVICES	<u>\$ 937,786</u>
UTILITIES:	
Electricity	\$ 49,615
Telephone	3,242
TOTAL UTILITIES	<u>\$ 52,857</u>
REPAIRS AND MAINTENANCE	<u>\$ 535,143</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes and Administration	\$ 19,046
Insurance	27,628
Office Supplies and Postage	59,510
Signs, Site Assessment, Website, Meetings and Other	37,763
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 143,947</u>
CAPITAL OUTLAY	<u>\$ 559,009</u>
OTHER EXPENDITURES:	
Chemicals and Lab Costs	\$ 23,139
Connection, Inspection and Reconnection Fees	25,550
Permit Fees and Regulatory Assessments	17,146
TOTAL OTHER EXPENDITURES	<u>\$ 65,835</u>
TOTAL EXPENDITURES	<u><u>\$ 3,712,974</u></u>

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2022

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 151,503	\$
Texas CLASS	XXXX0001	Varies	Daily	<u>2,838,570</u>	<u> </u>
TOTAL GENERAL FUND				<u>\$ 2,990,073</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 156,341	\$
Texas CLASS	XXXX0003	Varies	Daily	<u>1,345,622</u>	<u> </u>
TOTAL DEBT SERVICE FUND				<u>\$ 1,501,963</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 75,032	\$
Texas CLASS	XXXX0002	Varies	Daily	<u>6,698,341</u>	<u> </u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 6,773,373</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 11,265,409</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2022	\$ 819,161		\$ 1,862,077	
Adjustments to Beginning Balance	<u>(16,633)</u>	\$ 802,528	<u>(37,179)</u>	\$ 1,824,898
Original 2022 Tax Levy	\$ 1,320,085		\$ 1,932,981	
Adjustment to 2022 Tax Levy	<u>113,999</u>	<u>1,434,084</u>	<u>166,927</u>	<u>2,099,908</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,236,612		\$ 3,924,806
TAX COLLECTIONS:				
Prior Years	\$ 772,159		\$ 1,720,826	
Current Year	<u>660,326</u>	<u>1,432,485</u>	<u>966,905</u>	<u>2,687,731</u>
TAXES RECEIVABLE - DECEMBER 31, 2022		<u>\$ 804,127</u>		<u>\$ 1,237,075</u>
TAXES RECEIVABLE BY YEAR:				
2022		\$ 773,758		\$ 1,133,003
2021		8,125		18,097
2020		4,377		9,948
2019		3,720		11,099
2018		2,437		6,457
2017		6,612		20,204
2016		4,809		20,519
2015		289		2,078
2014				8,092
2013				2,165
2012 and prior				<u>5,413</u>
TOTAL		<u>\$ 804,127</u>		<u>\$ 1,237,075</u>

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 128,493,141	\$ 111,192,713	\$ 109,595,865	\$ 92,156,133
Improvements	424,819,814	355,068,962	327,029,868	304,768,114
Personal Property	92,882,233	69,598,007	75,334,865	74,792,517
Exemptions	<u>(134,022,429)</u>	<u>(95,008,275)</u>	<u>(99,398,210)</u>	<u>(90,594,170)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 512,172,759</u>	<u>\$ 440,851,407</u>	<u>\$ 412,562,388</u>	<u>\$ 381,122,594</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.41	\$ 0.49	\$ 0.50	\$ 0.564
Maintenance	<u>0.28</u>	<u>0.22</u>	<u>0.22</u>	<u>0.189</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.69</u>	<u>\$ 0.71</u>	<u>\$ 0.72</u>	<u>\$ 0.753</u>
ADJUSTED TAX LEVY*	<u>\$ 3,533,992</u>	<u>\$ 3,130,045</u>	<u>\$ 2,970,449</u>	<u>\$ 2,869,853</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>46.05 %</u>	<u>99.16 %</u>	<u>99.52 %</u>	<u>99.48 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on May 10, 2014.

See accompanying independent auditor’s report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2022

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 290,000	\$ 13,350	\$ 303,350
2024	300,000	4,500	304,500
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	<u>\$ 590,000</u>	<u>\$ 17,850</u>	<u>\$ 607,850</u>

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2022

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2023	\$ 75,000	\$ 76,756	\$	151,756
2024	80,000	75,300		155,300
2025	80,000	73,700		153,700
2026	80,000	72,100		152,100
2027	80,000	70,400		150,400
2028	85,000	68,544		153,544
2029	85,000	66,631		151,631
2030	85,000	64,666		149,666
2031	85,000	62,647		147,647
2032	90,000	60,569		150,569
2033	90,000	58,375		148,375
2034	55,000	56,562		111,562
2035	45,000	55,312		100,312
2036	1,825,000	27,375		1,852,375
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
	\$ 2,840,000	\$ 888,937	\$	3,728,937

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2022

S E R I E S - 2 0 2 0				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2023	\$ 20,000	\$ 447,493	\$	467,493
2024	20,000	446,594		466,594
2025	20,000	445,794		465,794
2026	20,000	444,994		464,994
2027	20,000	444,368		464,368
2028	20,000	443,919		463,919
2029	20,000	443,469		463,469
2030	25,000	442,962		467,962
2031	25,000	442,400		467,400
2032	20,000	441,869		461,869
2033	25,000	441,306		466,306
2034	20,000	440,744		460,744
2035	20,000	440,244		460,244
2036	20,000	439,744		459,744
2037	1,835,000	416,556		2,251,556
2038	1,895,000	368,747		2,263,747
2039	1,955,000	318,216		2,273,216
2040	2,015,000	266,109		2,281,109
2041	2,075,000	211,131		2,286,131
2042	2,145,000	153,106		2,298,106
2043	2,210,000	93,225		2,303,225
2044	2,285,000	31,419		2,316,419
	\$ 16,710,000	\$ 8,064,409	\$	24,774,409

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2022

SERIES - 2022 REFUNDING

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2023	\$ 430,000	\$ 850,833	\$ 1,280,833
2024	740,000	558,450	1,298,450
2025	1,085,000	521,950	1,606,950
2026	1,130,000	477,650	1,607,650
2027	1,180,000	431,450	1,611,450
2028	1,225,000	383,350	1,608,350
2029	1,275,000	333,350	1,608,350
2030	1,330,000	281,250	1,611,250
2031	1,385,000	226,950	1,611,950
2032	1,445,000	170,350	1,615,350
2033	1,495,000	119,025	1,614,025
2034	1,580,000	72,900	1,652,900
2035	1,640,000	24,600	1,664,600
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	<u>\$ 15,940,000</u>	<u>\$ 4,452,108</u>	<u>\$ 20,392,108</u>

See accompanying independent auditor's report.

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PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 815,000	\$ 1,388,432	\$ 2,203,432
2024	1,140,000	1,084,844	2,224,844
2025	1,185,000	1,041,444	2,226,444
2026	1,230,000	994,744	2,224,744
2027	1,280,000	946,218	2,226,218
2028	1,330,000	895,813	2,225,813
2029	1,380,000	843,450	2,223,450
2030	1,440,000	788,878	2,228,878
2031	1,495,000	731,997	2,226,997
2032	1,555,000	672,788	2,227,788
2033	1,610,000	618,706	2,228,706
2034	1,655,000	570,206	2,225,206
2035	1,705,000	520,156	2,225,156
2036	1,845,000	467,119	2,312,119
2037	1,835,000	416,556	2,251,556
2038	1,895,000	368,747	2,263,747
2039	1,955,000	318,216	2,273,216
2040	2,015,000	266,109	2,281,109
2041	2,075,000	211,131	2,286,131
2042	2,145,000	153,106	2,298,106
2043	2,210,000	93,225	2,303,225
2044	2,285,000	31,419	2,316,419
	<u>\$ 36,080,000</u>	<u>\$ 13,423,304</u>	<u>\$ 49,503,304</u>

See accompanying independent auditor's report.

**PARKWAY UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Bonds Issued	Bonds Outstanding January 1, 2022
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2011	\$ 3,405,000	\$ 445,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	4,890,000	3,635,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2013	4,150,000	3,815,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	2,850,000	1,590,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2014	3,325,000	2,965,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2015	8,005,000	6,290,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2016	3,260,000	2,920,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2020	16,750,000	16,730,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2022	<u>15,940,000</u>	
TOTAL	<u><u>\$ 62,575,000</u></u>	<u><u>\$ 38,390,000</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 445,000	\$ 8,900	\$ -0-	Wells Fargo Bank N.A. Houston, TX
	3,635,000	72,700	-0-	BOKF, N.A. Austin, TX
	3,815,000	63,625	-0-	BOKF, N.A. Austin, TX
	1,590,000	26,262	-0-	BOKF, N.A. Austin, TX
	2,965,000	51,716	-0-	BOKF, N.A. Austin, TX
	5,700,000	119,263	590,000	BOKF, N.A. Austin, TX
	80,000	78,072	2,840,000	BOKF, N.A. Austin, TX
	20,000	448,494	16,710,000	UMB Bank, N.A. Austin, TX
<u>15,940,000</u>			<u>15,940,000</u>	BOKF, N.A. Dallas, TX
<u>\$ 15,940,000</u>	<u>\$ 18,250,000</u>	<u>\$ 869,032</u>	<u>\$ 36,080,000</u>	

See accompanying independent auditor's report.

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**PARKWAY UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2022**

Bond Authority:	Tax Bonds	Park Bonds
Amount Authorized by Voters	\$ 88,455,000	\$ 9,750,000
Amount Issued	55,440,000	
Remaining to be Issued	\$ 33,015,000	\$ 9,750,000

See Note 3 for additional information related to bond authorization, interest rates, interest payment dates and maturity dates.

Debt Service Fund cash and investment balances as of December 31, 2022:	\$ 3,076,475
Average annual debt service payment (principal and interest) for remaining term of all bond debt:	\$ 2,250,150

Note: The District also has authorization to issue refunding bonds totaling 150% of outstanding bonds.

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 950,237	\$ 902,634	\$ 710,211
Water Service	983,888	956,068	940,569
Wastewater Service	1,016,477	958,453	988,784
Groundwater Reduction Plan Fees	721,872	552,305	591,370
Lease Capacity			
Special Assessment	68,325	63,000	63,000
Penalty and Interest	69,023	52,246	24,149
Tap Connection and Inspection Fees	14,181	8,148	8,722
Investment and Miscellaneous Revenues	55,251	11,062	77,421
TOTAL REVENUES	\$ 3,879,254	\$ 3,503,916	\$ 3,404,226
EXPENDITURES			
Professional Fees	\$ 326,665	\$ 318,311	\$ 241,749
Contracted Services	937,786	919,623	882,749
Purchased Water Service	645,612	575,601	559,062
Purchased Wastewater Service	446,120	339,429	342,840
Utilities	52,857	49,591	36,863
Repairs and Maintenance	535,143	546,322	613,945
Other	209,782	193,677	243,644
Capital Outlay	559,009		
TOTAL EXPENDITURES	\$ 3,712,974	\$ 2,942,554	\$ 2,920,852
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 166,280	\$ 561,362	\$ 483,374
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ 56,439
NET CHANGE IN FUND BALANCE	\$ 166,280	\$ 561,362	\$ 539,813
BEGINNING FUND BALANCE	2,841,470	2,280,108	1,740,295
ENDING FUND BALANCE	\$ 3,007,750	\$ 2,841,470	\$ 2,280,108

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 658,794	\$ 595,411	24.5 %	25.8 %	20.9 %	18.8 %	17.7 %
903,441	914,663	25.4	27.3	27.6	25.8	27.2
955,100	1,007,187	26.2	27.4	29.0	27.3	29.9
516,741	521,246	18.6	15.8	17.4	14.8	15.5
	94,770					2.8
63,000	63,000	1.8	1.8	1.9	1.8	1.9
89,489	79,214	1.8	1.5	0.7	2.6	2.3
169,235	8,653	0.3	0.2	0.3	4.8	0.3
145,188	80,969	1.4	0.2	2.2	4.1	2.4
<u>\$ 3,500,988</u>	<u>\$ 3,365,113</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 280,469	\$ 331,997	8.3 %	9.1 %	7.1 %	8.0 %	9.9 %
779,187	767,701	24.2	26.2	25.9	22.3	22.8
542,547	581,279	16.6	16.4	16.4	15.5	17.3
417,363	466,866	11.5	9.7	10.1	12.0	13.9
35,025	51,360	1.4	1.4	1.1	1.0	1.5
945,819	643,296	13.8	15.6	18.0	27.0	19.1
286,766	270,727	5.4	5.5	7.2	8.2	8.0
	225,082	14.4				6.7
<u>\$ 3,287,176</u>	<u>\$ 3,338,308</u>	<u>95.6 %</u>	<u>83.9 %</u>	<u>85.8 %</u>	<u>94.0 %</u>	<u>99.2 %</u>
<u>\$ 213,812</u>	<u>\$ 26,805</u>	<u>4.4 %</u>	<u>16.1 %</u>	<u>14.2 %</u>	<u>6.0 %</u>	<u>0.8 %</u>
<u>\$ 128,975</u>	<u>\$ - 0 -</u>					
\$ 342,787	\$ 26,805					
<u>1,397,508</u>	<u>1,370,703</u>					
<u>\$ 1,740,295</u>	<u>\$ 1,397,508</u>					

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 2,117,452	\$ 2,055,322	\$ 2,108,985
Penalty and Interest	52,977	48,145	37,640
Investment and Miscellaneous Revenues	<u>25,846</u>	<u>3,272</u>	<u>29,061</u>
TOTAL REVENUES	<u>\$ 2,196,275</u>	<u>\$ 2,106,739</u>	<u>\$ 2,175,686</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 89,312	\$ 75,267	\$ 76,957
Debt Service Principal	1,140,000	1,100,000	1,045,000
Debt Service Interest and Fees	871,832	1,218,645	1,048,708
Bond Issuance Costs	516,990		
Payment to Refunded Bond Escrow Agent	<u>245,000</u>		
TOTAL EXPENDITURES	<u>\$ 2,863,134</u>	<u>\$ 2,393,912</u>	<u>\$ 2,170,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (666,859)</u>	<u>\$ (287,173)</u>	<u>\$ 5,021</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Refunding Bonds	\$ 15,940,000	\$	\$
Payment to Refunded Bond Escrow Agent	(16,892,184)		
Bond Premium	<u>1,472,989</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 520,805</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (146,054)	\$ (287,173)	\$ 5,021
BEGINNING FUND BALANCE	<u>1,597,131</u>	<u>1,884,304</u>	<u>1,879,283</u>
ENDING FUND BALANCE	<u>\$ 1,451,077</u>	<u>\$ 1,597,131</u>	<u>\$ 1,884,304</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,422</u>	<u>2,422</u>	<u>2,431</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,396</u>	<u>2,396</u>	<u>2,405</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 1,745,821	\$ 1,827,051	96.4 %	97.6 %	96.9 %	94.8 %	95.7 %
47,176	37,014	2.4	2.3	1.7	2.5	1.9
49,183	45,884	1.2	0.1	1.4	2.7	2.4
<u>\$ 1,842,180</u>	<u>\$ 1,909,949</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 78,969	\$ 88,559	4.1 %	3.7 %	3.6 %	4.3 %	4.6 %
1,020,000	990,000	51.9	52.2	48.0	55.3	51.8
828,464	854,020	39.7	57.8	48.2	45.0	44.7
		23.5				
		11.2				
<u>\$ 1,927,433</u>	<u>\$ 1,932,579</u>	<u>130.4 %</u>	<u>113.7 %</u>	<u>99.8 %</u>	<u>104.6 %</u>	<u>101.1 %</u>
\$ (85,253)	\$ (22,630)	<u>(30.4) %</u>	<u>(13.7) %</u>	<u>0.2 %</u>	<u>(4.6) %</u>	<u>(1.1) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (85,253)	\$ (22,630)					
1,964,536	1,987,166					
<u>\$ 1,879,283</u>	<u>\$ 1,964,536</u>					
2,377	2,372					
<u>2,353</u>	<u>2,346</u>					

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2022

District Mailing Address - Parkway Utility District
c/o Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, Texas 77010-3095

District Telephone Number - (713) 651-5151

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2022</u>	Expense Reimbursements for the year ended <u>December 31, 2022</u>	<u>Title</u>
Brenda McNeil	05/2020 – 05/2024 (Elected)	\$ 7,050	\$ 2,348	President
Alphonso P. Rettig, Jr. (Deceased)	05/2020 – 11/2022	\$ 3,300	\$ 8,120	Vice President
Ronald G. Everhart	05/2022 – 05/2026 (Elected)	\$ 1,950	\$ -0-	Secretary
Cody Pogue	07/2022– 05/2026 (Appointed)	\$ 750	\$ -0-	Assistant Secretary
Gloria Woods	05/2022 – 05/2026 (Elected)	\$ 1,800	\$ -0-	Director

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

Submission date of most recent District Registration Form: January 12, 2023

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on August 17, 2004. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

PARKWAY UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2022

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2022</u>	<u>Title</u>
Norton Rose Fulbright US LLP	01/28/19	\$ 98,646 \$ 168,900	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/23/98	\$ 21,000 \$ 1,750	Auditor Bond Related
McLennan & Associates, L.P.	02/21/06	\$ 48,859 \$ 1,925	Bookkeeper Bond Related
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/08/95	\$ 22,485	Delinquent Tax Attorney
Quiddity Engineering	05/02/18	\$ 581,099	Engineer
A & S Engineers		\$ 231,896	Engineer
The GMS Group, LLC	06/22/20	\$ 160,650	Financial Advisor
Jorge Diaz	01/17/17	\$ -0-	Investment Officer
M. Marlon Ivy & Associates, L.P.	08/01/20	\$ 544,277	Operator
Systems Project Management LLC	04/15/08	\$ 44,304	Project Manager
Assessments of the Southwest, Inc.	11/01/97	\$ 36,920	Tax Assessor/ Collector
Harris County Constables Office Precinct No. 3	01/01/05	\$ 300,699	Security

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100