

OFFICIAL STATEMENT DATED JANUARY 10, 2024

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has **NOT** designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE – Book Entry Only

Moody’s Investors Service, Inc. (Underlying) “A1”
S&P Global Ratings (BAM Insured)..... “AA”
See “MUNICIPAL BOND INSURANCE” and “RATINGS” herein.

\$4,185,000

HARRIS COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 110

(A Political Subdivision of the State of Texas, located within Harris County, Texas)

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS

SERIES 2024

Dated: February 1, 2024

Interest accrues from: Date of Delivery

Due: September 1, as shown on the inside cover

The \$4,185,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024, (the “Bonds”), are obligations of Harris County Water Control & Improvement District No. 110 (the “District”) and are not obligations of the State of Texas (“Texas”); Harris County, Texas (the “County”); the City of Houston, Texas (the “City”); or any entity other than the District. Neither the faith and credit nor the taxing power of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing ownership of the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), or any successor Paying Agent/Registrar, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity. The Bonds are dated February 1, 2024 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about February 15, 2024 (the “Date of Delivery”), with interest payable on September 1, 2024, and on each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS” on the inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”).**



The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District, and will further be payable from and secured by a pledge of the net revenues, if any, of the District’s waterworks and sanitary sewer facilities. The District’s waterworks and sanitary sewer facilities are not expected to produce sufficient net revenues to make any significant contributions to future debt service payments.

The Bonds are offered when, as, and if issued by the District, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. The Bonds in definitive form are expected to be available for delivery through the facilities of DTC on or about February 15, 2024.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS

\$4,185,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414902 (b)
2032 (c)	\$ 980,000	3.000%	3.150%	QQ2
2033 (c)	1,020,000	3.000%	3.200%	QR0
2034 (c)	1,070,000	3.125%	3.250%	QS8
2035 (c)	1,115,000	3.125%	3.350%	QT6

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Robert W. Baird & Co. Incorporated, 48010 Woodway Drive, Suite 118-E, Houston, Texas 77056, financial advisor to the District.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

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SALE AND DISTRIBUTION OF THE BONDS

Award of Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.000000% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 3.368505%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

Prices and Marketability

Pursuant to the procedures described in the Official Notice of Sale, the delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has 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 Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue a 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.8 million, \$217.0 million and \$285.8 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and

final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

RATINGS

The Bonds are expected to receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the municipal bond insurance Policy for each series of the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying credit rating of “A1” to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgement, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P and Moody’s.

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OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The Issuer	Harris County Water Control & Improvement District No. 110 (the "District"), a political subdivision of the State of Texas ("Texas"), is located entirely within Harris County, Texas (the "County") and the extraterritorial jurisdiction (the "ETJ") of the City of Houston, Texas (the "City"). The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT."
The Issue	The District is issuing its \$4,185,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024, (the "Bonds"). The Bonds will accrue interest from the date of delivery, which is expected to be on or about February 15, 2024 (the "Date of Delivery"), with interest payable on September 1, 2024, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption Provisions	The Bonds are subject to redemption, in whole or from time to time in part, at the option of the District, on September 1, 2029, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."
Authority for Issuance.....	The Bonds are issued by the District pursuant to the terms and conditions of an order approved by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order"); Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District on November 6, 2007; and an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "THE BONDS – Authority for Issuance."
Source of Payment	Principal of and interest on the Bonds are payable from a combination of the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District and from a pledge of net revenues of the District's waterworks and sanitary sewer facilities (the "Net Revenues"), if any, derived from operation of the waterworks and sanitary sewer facilities. It is not expected that the Net Revenues will ever be sufficient to materially contribute to debt service payments on the Bonds. The Net Revenues are entirely dependent upon the sale of water and sewer services to residents and users in the District. See "THE BONDS – Source of Payment."

Payment Record.....	The District has not defaulted on the timely payment of principal and interest on its bonded indebtedness.
Use of Proceeds	Proceeds from the sale of the Bonds will be used to finance all or a portion of the improvements and related costs shown herein under “THE BONDS – Use and Distribution of Bond Proceeds.” In addition, proceeds from the sale of the Bonds will be used to pay other certain costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds.”
Outstanding Bonds	The District has previously issued thirteen (13) series of waterworks and sewer system combination unlimited tax and revenue bonds and nine (9) series of waterworks and sewer system combination unlimited tax and revenue refunding bonds. As of the Date of Delivery, \$14,935,000 principal amount of such prior indebtedness remained outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
NOT Qualified Tax-Exempt Obligations	The District has NOT designated the Bonds as “qualified tax-exempt obligations.” See “NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”
Municipal Bond Insurance	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings	S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying): “A1.” See “RATINGS.”
Bond Counsel	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description.....	The District is located entirely within the County, approximately 22 miles north of the central business district of the City, adjacent to Interstate Highway 45, contains approximately 1,300.48 acres, and lies wholly within the ETJ of the City. See “THE DISTRICT – General” and “THE DISTRICT – Description.”
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
Development.....	Approximately 720 acres of land within the District have been developed for residential use as the subdivisions of Enchanted Oaks, Sections 1-4; Cypress Forest, Sections 1-3; Cypress Forest Park, Sections 1-3; Cypress Forest Estates; Cypress Forest Lakes; Kotar Court; Cypresswood Lakes, Sections 1-6; Lakes of Cypress Forest, Sections 1-4; Spring Park Village; and Kings Village. As of December 1, 2023, the District contained 2,298 completed homes (2,274 occupied and 24 unoccupied) and two vacant developed lots.

Approximately 498 acres within the District have been developed for commercial, multi-family, and other uses. Multi-family development includes Spring Park, a 240-unit apartment complex; Cypresswood Crossing, a 247-unit apartment complex; Louetta Village, a 104-unit senior facility apartment complex; and Waterstone, a 276-unit apartment complex. Commercial development in the District is comprised of office buildings, retail shopping centers, car dealerships, and various commercial properties. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2023 Taxable Assessed Valuation.....	\$ 1,232,683,665	(a)
Direct Debt:		
The Outstanding Bonds.....	\$ 14,935,000	
The Bonds	<u>\$ 4,185,000</u>	
Total.....	\$ 19,120,000	
Estimated Overlapping Debt.....	<u>\$ 57,577,791</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 76,697,791	(b)
Direct Debt Ratio:		
As a Percentage of the 2023 Taxable Assessed Valuation.....	1.55	%
Direct and Estimated Overlapping Debt Ratio:		
As a Percentage of the 2023 Taxable Assessed Valuation.....	6.22	%
Debt Service Fund Balance (as of December 13, 2023)	\$ 1,826,301	(c)
General Operating Fund Balance (as of December 13, 2023)	\$ 7,148,686	
2023 Tax Rate:		
Debt Service	\$ 0.17	
Maintenance & Operation	<u>\$ 0.15</u>	
Total.....	\$ 0.32	
Average Annual Debt Service Requirement (2024–2035)	\$ 1,816,358	(d)
Maximum Annual Debt Service Requirement (2031).....	\$ 2,244,406	(d)
Debt Service Tax Rate per \$100 of 2023 Taxable Assessed Valuation Required to Pay the Average Annual Debt Service Requirement (2024–2035)		
Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	\$ 0.16	
Debt Service Tax Rate per \$100 of 2023 Taxable Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement (2031)		
Based on the 2023 Taxable Assessed Valuation at 95% Tax Collections	\$ 0.20	

(a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2023, as provided by the Appraisal District (herein defined).

(b) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt."

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the debt service fund.

(d) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Water Control & Improvement District No. 110 (the “District”) of its \$4,185,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024 (the “Bonds”).

The Bonds are issued by the District pursuant to the terms and conditions of an order approved by the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Order”); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District on November 6, 2007; and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

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 (herein defined). 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 accrue interest from the date of delivery, which is expected to be on or about February 15, 2024 (the “Date of Delivery”), with interest payable on September 1, 2024, and on each March 1 and September 1 thereafter (each an “Interest Payment Date”) until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

Redemption Provisions

The Bonds are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2029 and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds of either respective series, the particular Bonds of such series to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity of either respective series are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owners (the "Registered Owners") appearing on the registration and transfer books (the "Register") of the Paying Agent/Registrar at the close of business on the fifteenth (15th) calendar day of the month next preceding each Interest Payment Date ("Record Date") and shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the Registered Owners recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owners. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled Interest Payment Date and for thirty (30) days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each of the Registered Owners of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor 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 Participants (herein defined), (2) 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 (herein defined), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, 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 (the "Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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).

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

time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

The Board has selected BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in the City of Houston, Texas (the "City"). Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall 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 trust powers, shall have a combined capital and surplus of at least \$10,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the SEC and shall have a corporate trust office in the State of Texas ("Texas").

Use of Certain Terms in Other Sections of this Official Statement

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

Registration and Transfer

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the Register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying

Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax, governmental charge, or other expenses payable in connection therewith.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District on November 6, 2007; and an order of the TCEQ.

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.

Outstanding Bonds

The District has previously issued thirteen (13) series of waterworks and sewer system combination unlimited tax and revenue bonds and nine (9) series of waterworks and sewer system combination unlimited tax and revenue refunding bonds. As of the Date of Delivery, \$14,935,000 principal amount of such prior indebtedness remains outstanding (the "Outstanding Bonds").

Source of Payment

The Bonds are the obligations solely of the District and are not the obligations of the Texas; Harris County, Texas (the "County"); the City; or any other entity. The Bonds together with the Outstanding Bonds (herein defined) and such additional combination tax and revenue bonds as may hereafter be issued by the District will be payable from the proceeds of a continuing direct annual ad valorem tax levied against all taxable property located within the District and will also be payable from Net Revenues (herein defined), all to the extent and subject to the conditions described below.

- Tax Pledge -

The Outstanding Bonds, the Bonds, and any additional tax bonds as may hereafter be issued by the District are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Outstanding Bonds and the Bonds with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used to pay principal of and interest on the Outstanding Bonds and the Bonds, and on additional bonds payable from taxes which may hereafter be issued by the District.

- Net Revenue Pledge -

The Outstanding Bonds and the Bonds (and any additional bonds issued by the District to which such revenues are pledged) are further payable from, and secured by a pledge of and lien on, certain net revenues, if any, of the District's waterworks and sewer system (the "System"). Net revenues ("Net Revenues") are defined by the Bond Order as all income or increment which may grow out of the ownership and operation of the District's plants, facilities 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 District's plants, facilities and improvements, and to establish an operating reserve. It is not expected that the Net Revenues will ever be sufficient to materially contribute to debt service payments on the Bonds. The Net Revenues are entirely dependent upon the sale of water and sewer services to residents and users in the District.

Annexation

The District lies wholly within the extraterritorial jurisdiction (the "ETJ") of the City. Under Texas law, certain portions of the District may be annexed by the City, pursuant to Chapter 43, Local Government Code, only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, or (ii) if the registered voters in the area to be annexed do not own more than fifty percent (50%) of the land in the area, a petition has been signed by more than fifty percent (50%) of the landowners consenting to the annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) within ninety (90) days of the date of annexation. Annexation of property by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. The Bond Order provides for termination of the pledge of taxes to the Bonds upon annexation by a city.

Strategic Partnership Agreement – Limited Purpose Annexation by the City

The District has entered into a Strategic Partnership Agreement ("SPA") with the City whereby certain tracts of land containing commercial development were annexed into the City for the limited purpose of applying certain of the City's planning, zoning, health, and safety ordinances to the commercial businesses. The City imposes a Sales and Use Tax within the annexed tracts on receipts from the sale and use at retail of taxable items at the rate of one percent (1%) or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or fifty percent (50%) of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax revenue to (1) accelerate the development of the System in the District, (2) accelerate reimbursement to developers for eligible infrastructure development, (3) lower the overall property tax rate to encourage additional development, and (4) perform other District functions that might otherwise be diminished, curtailed, abbreviated or delayed by financial institutions. Any future commercial annexations into the District will not be subject to the SPA.

The Sales and Use Tax was implemented within the annexed areas on July 1, 2003. The Comptroller of Public Accounts of the State of Texas remits the sales revenues to the City and the City then disburses to the District its share of the tax revenues. For fiscal year ending July 31, 2023, the District has received a total of \$1,615,699 from the City representing sales tax revenues for the period beginning August 1, 2022, and ending July 31, 2023.

In consideration of the services provided by the City, in lieu of full-purpose annexation, the District is required to pay the City an annual fee of \$100 on each anniversary of the date the SPA was approved by the City Council of the City. In December of 2019 the City and the District amended the SPA to extend the term for an additional ten (10) years. Under the amended SPA, the City has agreed that it will not annex all or a part of the District before April 8, 2043.

Consolidation

The District has the legal authority to consolidate with other districts, thereby consolidating its assets (such as its cash and its water and wastewater systems) and its liabilities (which would include the Bonds) with the assets and liabilities of the district or districts with which it is consolidating. No representation is made concerning the likelihood of consolidation.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to

provide for payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

Issuance of Additional Debt

The District may issue bonds to provide those improvements and facilities for which the District was created, with approval of the TCEQ and, in the case of bonds payable from ad valorem taxes, the District's voters. The District's voters have authorized the issuance of \$55,810,000 waterworks and sewer system combination unlimited tax and revenue bonds and \$33,000,000 waterworks and sewer system combination unlimited tax and revenue refunding and could authorize additional amounts. The District has issued thirteen (13) series of waterworks and sewer system combination unlimited tax and revenue bonds for the purpose of acquiring or constructing the System to serve the District and nine (9) series of waterworks and sewer system combination unlimited tax and revenue refunding bonds for the purpose of refunding previous issues. Following the issuance of the Bonds, \$6,585,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for System facilities and \$31,210,000 principal amount of waterworks and sewer system combination unlimited tax and revenue refunding bonds will remain authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board).

The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections, or other to limit the amount of bonds which it may issue. See "INVESTMENT CONSIDERATIONS – Future Debt."

Additional Covenants

In the Bond Order, the District has additionally covenanted that it will (1) maintain insurance on the System of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas operating similar facilities; (2) maintain the System in good condition and operate it in an efficient manner and at a reasonable cost; (3) keep records and accounts and employ an independent certified public accountant of recognized integrity and ability to direct the installation of the required accounting procedures and to audit its affairs at the close of each fiscal year, such audit to be in accordance with applicable laws, rules, and regulations, and open to inspection in the office of the District; and (4) secure the funds in the Debt Service Fund in the manner and to the fullest extent required by law for the security of District funds.

Amendments to Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency, formal defect, or omission 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, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, 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, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

The laws of Texas and the Bond Order provide that in the event the District defaults in the payment of the principal of or the interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners of the Bonds may be provided by the laws of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners of the Bonds. There is no provision for 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's public purpose property. Further, the Registered Owners could not themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal

bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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 a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

A municipal utility district cannot be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to finance all or a portion of the improvements and related costs shown below. In addition, proceeds from the sale of the Bonds will be used to pay other certain costs associated with the issuance of the Bonds. Totals may not sum due to rounding.

		District's Share
CONSTRUCTION COSTS		
A. Developer Contribution Items		
1. None		\$ 0
Total Developer Contribution Items		\$ 0
B. District Items		
1. Rehabilitation of Water Well No. 2 at Water Plant No. 1	\$	205,000
2. Rehabilitation of Bolted Steel Ground Storage Tank at Water Plant No. 1		205,000
3. Rehabilitation of Welded Steel Ground Storage Tank at Water Plant No. 1		410,000
4. Rehabilitation of Hydropneumatic Tank at Water Plant No. 1		9,840
5. Rehabilitation of Hydropneumatic Tank at Water Plant No. 2		9,840
6. Rehabilitation of Sanitary Sewer at Enchanted Oaks Section 2		410,000
7. Rehabilitation of Sanitary Sewer at Enchanted Oaks Section 3		98,400
8. Rehabilitation of Sanitary Sewer at Enchanted Oaks Section 4		902,000
9. Construction of Enchanted Stream Detention Pond		492,000
10. Engineering Costs (Items No. 1 – 15, 17)		601,920
11. Engineering Costs (Item No. 16)		10,664
12. Contingencies (Items No. 1 – 17)		<u>455,814</u>
Total District Items	\$	3,810,478
TOTAL CONSTRUCTION COSTS		<u>\$ 3,810,478</u>
NON-CONSTRUCTION COSTS		
A. Legal Fees	\$	104,625
B. Fiscal Agent Fees		83,700
C. Bond Discount		125,550
D. Bond Application Report Costs		6,000
E. TCEQ Bond Issuance Fee (0.25%)		10,463
F. Attorney General Fee (0.10%)		4,185
G. Bond Issuance Expense		<u>40,000</u>
TOTAL NON-CONSTRUCTION COSTS	\$	<u>374,523</u>
TOTAL BOND ISSUE REQUIREMENT		<u>\$ 4,185,000</u>

The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. In the instance actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval may be required. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

The Engineer (herein defined) has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2023 Taxable Assessed Valuation.....	\$ 1,232,683,665	(a)
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Direct Debt:

The Outstanding Bonds.....	\$ 14,935,000	
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The Bonds	\$ 4,185,000	
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Total.....	\$ 19,120,000	
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Estimated Overlapping Debt.....	\$ 57,577,791	(b)
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Total Direct and Estimated Overlapping Debt	\$ 76,697,791	(b)
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Direct Debt Ratio:

As a Percentage of the 2023 Taxable Assessed Valuation.....	1.55	%
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Direct and Estimated Overlapping Debt Ratio:

As a Percentage of the 2023 Taxable Assessed Valuation.....	6.22	%
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Debt Service Fund Balance (as of December 13, 2023)	\$ 1,826,301	(c)
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General Operating Fund Balance (as of December 13, 2023)	\$ 7,148,686	
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Average Annual Debt Service Requirement (2024–2035)	\$ 1,816,358	(d)
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Maximum Annual Debt Service Requirement (2031).....	\$ 2,244,406	(d)
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(a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2023, as provided by the Appraisal District (herein defined).

(b) See “DISTRICT DEBT – Direct and Estimated Overlapping Debt.”

(c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the debt service fund.

(d) Requirement of debt service on the Outstanding Bonds and the Bonds. See “DISTRICT DEBT – Debt Service Requirements.”

Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes. See "TAX DATA – Estimated Overlapping Taxes."

Taxing Jurisdiction	Outstanding Debt	Overlapping Debt	
	November 30, 2023	Percent	Amount
Harris County	\$ 1,863,876,319	0.19%	\$ 3,494,977
Harris County Dept. of Education	13,865,000	0.19%	25,994
Harris County Flood Control District	991,095,000	0.19%	1,898,819
Harris County Hospital District	70,970,000	0.19%	135,948
Klein Independent School District	1,395,105,000	1.42%	19,810,491
Lone Star College District	579,730,000	0.40%	2,309,764
Port of Houston Authority	426,134,397	0.19%	816,499
Spring Independent School District	855,450,000	3.40%	<u>29,085,300</u>
Total Estimated Overlapping Debt			\$ 57,577,791
Direct Debt (a).....			\$ 19,120,000
Total Direct and Estimated Overlapping Debt (a).....			\$ 76,697,791

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

Direct Debt Ratio (a):	
As a Percentage of the 2023 Taxable Assessed Valuation.....	1.55 %
Direct and Estimated Overlapping Debt Ratio (a):	
As a Percentage of the 2023 Taxable Assessed Valuation.....	6.22 %

(a) Includes the Bonds and the Outstanding Bonds.

Debt Service Requirements

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and interest requirements of the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service (a)	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2024	\$ 2,084,200	\$ —	\$ 69,842	\$ 69,842	\$ 2,154,042
2025	2,091,950	—	128,281	128,281	2,220,231
2026	2,101,350	—	128,281	128,281	2,229,631
2027	2,104,250	—	128,281	128,281	2,232,531
2028	2,103,050	—	128,281	128,281	2,231,331
2029	2,105,900	—	128,281	128,281	2,234,181
2030	1,606,375	—	128,281	128,281	1,734,656
2031	2,116,125	—	128,281	128,281	2,244,406
2032	—	980,000	128,281	1,108,281	1,108,281
2033	—	1,020,000	98,881	1,118,881	1,118,881
2034	—	1,070,000	68,281	1,138,281	1,138,281
2035	—	1,115,000	34,844	1,149,844	1,149,844
Total	\$ 16,313,200	\$ 4,185,000	\$ 1,298,098	\$ 5,483,098	\$ 21,796,298

(a) Outstanding debt service as of the Date of Delivery.

Average Annual Debt Service Requirement (2024–2035)\$ 1,816,358

Maximum Annual Debt Service Requirement (2031).....\$ 2,244,406

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. For the 2023 tax year, the Board levied a tax rate for debt service purposes of \$0.17 per \$100 of assessed valuation and a tax rate for operation and maintenance purposes of \$0.15 per \$100 of assessed valuation, for a total tax rate of \$0.32 per \$100 of assessed value. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election which the District would be required to call upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

In addition, a partially disabled veteran or the surviving spouse of a partially disabled veteran is 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 at no cost by

a charitable organization at some or no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has granted a twenty percent (20%) homestead exemption for the 2023 tax year. In addition, the District grants a homestead exemption of \$100,000 for persons who are disabled or 65 years or older. See "TAX DATA – Analysis of Tax Base."

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier and shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, goods in transit ("freeport goods") are exempted from taxation by the District.

Goods-In-Transit Exemption: Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Property Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and 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 ten years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation

in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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

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

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024, but only if the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, is approved by the voters.

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, timberland designation, or the residential real property inventory designation must apply for the designation and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision 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 a period of three (3) years for agricultural use, timberland, open space land prior to the loss of designation.

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions and appraisals of property not previously on an appraisal role.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted

total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

The District

For the 2023 tax year, the District has determined its status as a Developing District. 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.

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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) to defray collection costs if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Under certain circumstances, property owners located within a natural disaster area affected by a disaster may pay property taxes in four equal installments following the disaster. Further, a person who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead.

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collections Limitations."

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and the Bonds (and any future tax-supported bonds that may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$0.15 per \$100 of assessed valuation, for operation and maintenance purposes. For the 2023 tax year, the Board levied a tax rate for debt service purposes of \$0.17 per \$100 of assessed valuation and a tax rate for operation and maintenance purposes of \$0.15 per \$100 of assessed valuation, for a total tax rate of \$0.32 per \$100 assessed value.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$0.15 per \$100 of Assessed Valuation.

Historical Values and Tax Collection History

Tax Year	Assessed Valuation (a)	Tax Rate Per \$100	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 10/31/23
2019	\$ 883,233,327	\$ 0.39	\$3,444,610	99.40%	2020	99.90%
2020	903,065,987	0.37	3,341,344	99.30%	2021	99.80%
2021	921,660,733	0.36	3,317,979	99.70%	2022	99.80%
2022	1,062,415,594	0.33	3,505,971	99.50%	2023	99.50%
2023	1,232,683,665	0.32	3,944,588	(b)	2024	(b)

(a) Values may differ from those shown in the District's financial statements and elsewhere in this Official Statement due to subsequent adjustments.

(b) In process of collections.

Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service	\$0.17	\$0.18	\$0.21	\$0.22	\$0.24
Maintenance and Operations	<u>\$0.15</u>	<u>\$0.15</u>	<u>\$0.15</u>	<u>\$0.15</u>	<u>\$0.15</u>
Total	\$0.32	\$0.33	\$0.36	\$0.37	\$0.39

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2019–2023 tax years by type of property.

Type of Property	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 375,277,512	\$ 319,223,302	\$ 244,587,681	\$ 246,733,114	\$ 242,162,515
Improvements	955,085,186	839,257,943	713,894,164	685,935,232	659,329,766
Personal Property	174,856,087	158,344,871	141,711,846	147,087,240	147,502,500
Exemptions	(272,535,120)	(254,410,522)	(178,532,958)	(176,689,599)	(165,761,454)
Total	\$ 1,232,683,665	\$ 1,062,415,594	\$ 921,660,733	\$ 903,065,987	\$ 883,233,327

Principal Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal taxpayers, type of property owned by such taxpayers, and the taxable assessed valuation of such property as of January 1, 2023. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2023.

Taxpayer	Type of Property	2023 Taxable Assessed Valuation
211 Waterstone Limited Partnership	Land, Improvements & Personal	\$ 48,560,779
Spring Holding Ltd	Land, Improvements & Personal	34,059,946
Fred Haas Toyota World	Land, Improvements & Personal	30,893,400
Planet Ford	Land, Improvements & Personal	29,743,001
Planreal Partners Ltd	Land, Improvements & Personal	29,276,475
Hass Real Estate Ltd	Land, Improvements & Personal	26,333,500
Pinewood Forest Limited	Land, Improvements & Personal	20,321,514
Target Corporation	Land, Improvements & Personal	16,694,839
Victor George Real Estate Holdings LLC	Land, Improvements & Personal	16,488,280
Cypresswood Associates LLC	Land, Improvements & Personal	<u>16,391,252</u>
Total Principal Taxpayers		\$ 268,762,986

Total Percentage of the District's 2023 Taxable Assessed Valuation 21.80 %

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the taxable assessed valuation as of January 1, 2023 (\$1,232,683,665). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2024–2035)	\$ 1,816,358
Tax Rate of \$0.16 on the 2023 Taxable Assessed Valuation at 95% Collection Produces	\$ 1,873,679
Maximum Annual Debt Service Requirement (2031)	\$ 2,244,406
Tax Rate of \$0.20 on the 2023 Taxable Assessed Valuation at 95% Collection Produces	\$ 2,342,099

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions.

The following chart includes the 2023 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	2023 Tax Rate	
	<u>Per \$100 of Taxable Assessed Valuation</u>	
	<u>Spring ISD</u>	<u>Klein ISD</u>
The District	\$ 0.320000	\$ 0.320000
Harris County (a)	0.535090 (a)	0.535090 (a)
Lone Star College System District	0.107600	0.107600
Harris County Emergency Services District No. 7	0.090000	0.090000
Harris County Emergency Services District No. 11	0.030175	0.030175
Spring Independent School District	1.109200	–
Klein Independent School District	–	1.031600
Total Tax Rate	<u>\$ 2.192065</u>	<u>\$ 2.114465</u>

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

THE DISTRICT

General

The District is a limited-purpose political subdivision of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the Texas Water Rights Commission, predecessor of the TCEQ, on May 9, 1968, as a water control and improvement district. The District converted to a municipal utility district on February 11, 1976. The District is vested with all the rights, privileges, authority and functions conferred by the laws of Texas 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 and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently the District contracts for solid waste collection service, and operates certain recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and located exclusively within the ETJ of the City.

Description

The District is located in the northern part of the County, approximately 22 miles north of the City's central business district. The District is bisected by I-45 and Cypresswood Drive. The District presently contains approximately 1,300.48 acres of land. According to the Engineer, approximately 129 acres within the District lie within the 100-year flood plain of which approximately 34.5 acres encompass land already developed for residential and commercial use. Approximately 275 acres in the District are within the boundaries of Klein Independent School District and the remaining approximately 1,000 acres are within the boundaries of the

Spring Independent School District. The District is wholly within the ETJ of the City. The City has annexed some of the commercial tracts of land in the District for the limited purpose of applying the City's Planning, Zoning, Health and Safety Code to the annexed areas and the imposition of a Sales and Use Tax on receipts from the sale and use at retail businesses on taxable items. See "THE BONDS – Strategic Partnership Agreement - Limited Purpose Annexation by the City."

Management of the District

The District is governed by a board, consisting of five directors, which has control and management supervision over all affairs of the District. Directors are elected in odd-numbered years for four staggered terms. The present members and officers of the Board and their offices are listed below.

Board of Directors

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
James Williams	President	5/2027
Jeannie Perkins	1 st Vice President	5/2025
Jerry Strickland	2 nd Vice President	5/2027
Vanessa Sommer	Secretary	5/2025
Tom Dowdy	Treasurer/Asst. Secretary	5/2027

The District has engaged the following companies and individuals to operate its utility and recreational facilities:

Recreational Facilities – The District employs Mr. Brian Mills to operate and manage the District's recreational facilities, including tennis courts, swimming pools, fitness center and parks. Mr. Mills has ten fulltime employees to assist in his duties.

Tax Assessor/Collector – The District's Tax Assessor/Collector is Mr. Kenneth Byrd.

Bookkeeper – The District's bookkeeper is Myrtle Cruz, Inc.

System Operator – The District's operator is Municipal Operations & Consulting, Inc.

Auditor – The District employed McCall Gibson Swedlund Barfoot PLLC to audit its financial records for the fiscal year ended July 31, 2023. Such audit is included in "APPENDIX A."

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Langford Engineering Inc. (the "Engineer").

Financial Advisor – Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond & General Counsel – The District employs Sanford Kuhl Hagan Kugle Parker Kahn LLP as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP also acts as general counsel for the District.

Disclosure Counsel – Orrick Herrington & Sutcliffe LLP, Houston, Texas has been designated as disclosure counsel ("Disclosure Counsel"). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

DEVELOPMENT WITHIN THE DISTRICT

Approximately 720 acres of land within the District have been developed for residential use as the subdivisions of Enchanted Oaks, Sections 1-4; Cypress Forest, Sections 1-3; Cypress Forest Park, Sections 1-3; Cypress Forest Estates; Cypress Forest Lakes; Kotar Court; Cypresswood Lakes, Sections 1-6; Lakes of Cypress Forest, Sections 1-4; Spring Park Village; and Kings Village. As of December 1, 2023, the District contained 2,298 completed homes (2,274 occupied and 24 unoccupied) and two vacant developed lots.

Approximately 498 acres within the District have been developed for commercial, multi-family, and other uses. Multi-family development includes Spring Park, a 240-unit apartment complex; Cypresswood Crossing, a 247-unit apartment complex; Louetta Village, a 104-unit senior facility apartment complex; and Waterstone, a 276-unit apartment complex. Commercial development in the District is comprised of office buildings, retail shopping centers, car dealerships, and various commercial properties list below:

The office space in the District is contained in three complexes: The Spring Office Complex LP, which has 21,024 square feet; the Cypress Forest Business Center, which has 33,610 square feet; and the Wealth Management Advisors building, which has 5,000 square feet.

The District includes multiple retail centers, which are listed below along with a sampling of tenants within each (subject to change):

Cypresswood Court is a 64,200 square foot retail center including Brother's Pizza, V-Spa Nail Salon, Cypresswood Family Dental, G. Michael Photography, Spring Hair Care, Flower Express, Edward Jones, Mailbox USA, Cricket X-Cell, Farmer's Insurance, Ryan's Beverage, Bakery Donuts, and Firehouse Subs. Additionally, a car lubrication/oil change facility, a Smashburger restaurant, a Vision Works Outlet, a Chevron gas station, and one vacant building space are separate structures on the property.

The Target Center is a 178,759 square foot retail center that includes a "Super Target," a nail salon, GameStop, Lane Bryant, Sally's Beauty Supply, Petco, Supercuts, Kirkland's, and Ulta Beauty. Additionally, a Best Buy and a Mattress Firm store are in separate structures on the property.

Cypresswood Plaza Center includes a Subway, Las Cascada Mexican Restaurant, Sports Clips, Subway, Invest Tex Credit Union, Foot Relax and approximately three vacant businesses.

The Spring Park Shopping Center is a commercial strip center containing 76,513 square feet of retail space. Such center includes a Conn's Appliances and American Freight - Appliance, Furniture, Mattress Store comprising 55,513 square feet. The remainder of the Spring Park Shopping Center contains a 21,000 square foot shopping center. Contained in the center are Texas Hair Team, Tanning and Tattoo, I-45 Diner and Mexican Restaurant, Royalty Dental Assoc. as well as a Burger King restaurant, a Taco Bell/Pizza Hut restaurant, Gringo's Restaurant, and a 6,000 square foot Advantage Women's Care as separate structures, in addition to a strip center containing an AT&T store, One Main Financial, Starbucks, TSO, Gander RV and Top Golf.

Meadow Edge Center includes a Sprint Cellular Store, Lenny's sub-shop, Pizza Hut, Smoothie Factory, Murphy's Deli and Office Depot. A Home Depot, Lowe's Home Improvement Store, Firestone Tire Shop, LA Fitness, Denny's, Popeye's and Walgreens are within the Meadow Edge Center as separate structures.

Spring Village Center includes a 233,480 square foot retail mall. The mall of Spring Village Center contains the AMC Spring 10 movie theater, a gymnastics gymnasium, File Room Records Management, Ace Mart Restaurant Supply, Big Time Billards, Two Mule Bar, Floorz Plus, Urban Air, and six vacant suites. In addition, the mall is also used for special event shows such as gun, antique, and car shows on weekends. Also part of Spring Village Center is a retail strip center comprising 130,000 square feet. Advanced Auto Parts, Take 5, Jack in the Box, Hoi Yin Chinese Restaurant, USA Car Care, Little Pho Now Restaurant, Mathnasium Learning Center, Jeremiah's Italian Ice and Marco's Pizza are located as separate structures on the property.

Magic Oaks Center contains five buildings comprising 12,000 square feet. A gym/fitness center, Statewide Electric, Medical Supply Store, White Hat Capital Group, Pro-Star A/C Heating Service, Sun Cap Auto Tint, Line-X of Houston, a landscape irrigation company and a large truck sales office are located in the center.

Louetta Oaks LTD Center contains a strip center comprising 9,624 square feet. The Louetta Oaks LTD Center contains a Smoke and Vape Shop, Anthony & Sylvan Pools, Maid Service, Starbucks, and two vacant businesses.

Other commercial property in the District includes a 60-unit Spring Lodge, Brookside Equipment Center, a John Deere dealership, a private kindergarten school, Zone d'Erotica, Demontond Auto Group, a car care center, and four car dealerships (Planet Ford, Lincoln-Mercury, Toyota, and Chrysler-Dodge). Also in the District are the Harris County Constable Precinct 4 office, Tilson Home Corporation Sales Office, Exxon Mart, Quik Inspections, Ciscos Taqueria, Kids R Kids, Louetta Dental, Cypresswood Self Storage, Shipley's Donut, Spec's Liquor, Schlotzskys, State Farm Insurance, Dickey's Barbecue Restaurant, Small Cakes, Cheddar's Restaurant, a Dairy Queen fast-food restaurant, AT&T Maintenance Center, Enterprise Car Lease, Golden Corral Restaurant, Furr's Restaurant, Panera Bread and Design Tech Homes, which is a 12-acre showroom and model home campus.

The District has two elementary schools. Lemm Elementary is located within the boundaries of Klein Independent School District and McNabb Elementary is located within the boundaries of the Spring Independent School District.

Additionally, approximately 40 acres in the District have been developed with water, sewer and drainage facilities to serve Cypress Forest Reserves commercial development.

Recreational Facilities

The District owns and operates certain recreational facilities, which include tennis courts, swimming pools, fitness center, lakes, parks, walking/jogging trail system and amphitheater.

THE SYSTEM

Regulation

According to the Engineer, the System has been designed in accordance with accepted engineering practices and recommendations and is subject to the inspection of Harris County Public Infrastructure Department, Harris County Flood Control District ("HCFCD"), Texas Department of Health, and the TCEQ. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ. As such facilities were and are completed, they have been, and will be, conveyed to the District, which is responsible for the operation and maintenance of all water and wastewater facilities serving the District. Drainage is the primary responsibility of the HCFCD and/or the homeowners association located within the District; however, the District recently implemented a Drainage Policy to help ensure all commercial property owners properly maintain their existing drainage facilities.

Operation of the System is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

The District is within the Harris-Galveston Coastal Subsidence District (the "Subsidence District"), which regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas within its boundaries to convert most of their water supply to surface water under various schedules and has published a timetable that would require the District to restrict the withdrawal of groundwater and to develop a plan for the conversion to surface water. The District is included in the North Harris County Regional Water Authority (the "NHCRA") and is part of the NHCRA's Groundwater Reduction Plan to convert to surface water in accordance with the Subsidence District's conversion mandate. NHCRA is in the process of implementing Phase 1 of its surface water conversion plan. The issuance of additional bonds by the District in the future in an undetermined amount may be necessary to meet the District's obligation to the NHCRA. See "THE SYSTEM – Description of the System" and "INVESTMENT CONSIDERATIONS."

Description of the System

Water Supply and Distribution: Commencing October 2010, approximately 70% of the District's water supply has been surface water furnished by the NHCRA. The remaining 30% is furnished by the District's water supply system which consists of three wells with a total capacity of approximately 2,885 gallons per minute ("gpm"), two 10,000 gallon hydropneumatics (pressure) tanks, three ground storage tanks with a total capacity of 1,366,000 gallons, one 400,000 gallon elevated tank, and eight booster pumps with a total capacity of 4,250 gpm. According to the Engineer, the existing water plants are capable of serving approximately 4,000 equivalent single-family connections ("esfc"). The District currently has approximately 2,470 actual

connections and is serving approximately 3,553 esfc. The District has extended distribution lines for approximately 1,100 acres of the 1,300.48 acres. The District also has entered into Emergency Water Supply Agreements with Harris County Municipal Utility District No. 104 ("MUD No. 104,") Harris County Water Control and Improvement District No. 99 ("WCID 99") and Spring West Municipal Utility District ("SWM") wherein each district agrees to supply the other with water in the event the other's water supply system fails. The MUD No. 104 agreement extends through 2023. The WCID 99 agreement extends through 2032. The SWM agreement extends through 2062. See "INVESTMENT CONSIDERATIONS."

The District has entered into an Emergency and Interim Water Supply Contract with Harris County Municipal Utility District No. 249 ("MUD No. 249"). The districts have agreed to supply each other with water in the event the other's water system fails. The Agreement with MUD No. 249 extends through 2034.

Sanitary Sewer: The District currently owns and operates a wastewater treatment plant with a treatment capacity of 1,000,000 gallons per day. The plant includes a reinforced concrete treatment facility consisting of two aeration basins, an aerobic digester, two clarifiers, two chlorination basins, two dechlorination basins, a building housing the electrical controls, chlorination equipment, blowers, and an emergency generator. The existing facilities are adequate to provide treatment capacity for approximately 4,053 esfc. The flow history indicates that the plant is operating at approximately 67% capacity.

The District has entered into a Waste Disposal Agreement (the "Waste Agreement") with MUD No. 249 whereby the District has 216,000 gallons per day of wastewater treatment capacity in the Phase II Permanent Wastewater Treatment Plant owned by MUD No. 249. The capacity which the District owns in the MUD No. 249 wastewater treatment plant is used to treat the wastewater from the 133 acres in the District developed as Cypresswood Lakes.

The District is required to pay to MUD No. 249 its pro rata share of the (i) operating (including maintenance and repair costs) costs for the MUD No. 249 Permanent Wastewater Treatment Plant, and (ii) costs for capital improvements.

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

The NHCRWA has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. Effective October 1, 2023, the NHCRWA decreased its fees and currently charges the District a fee of \$3.60 per 1,000 gallons of water pumped by the District and a fee of \$4.05 per 1,000 gallons of surface water supplied to the District. The NHCRWA has issued revenue bonds to fund, among other things, NHCRWA surface water project costs. It is expected that the NHCRWA will continue to issue substantial amounts of bonds by the year 2030 to finance the NHCRWA's project costs, and it is expected that the fees charged by the NHCRWA will increase substantially over such period.

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

Under the current Subsidence District plan, as amended in April 14, 2021, and the GRP, the NHCRWA is required to (i) limit groundwater withdrawals to no more than 70% of the total water demand within the NHCRWA's GRP beginning January 2010; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the NHCRWA's GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the NHCRWA's GRP beginning January 2035. If the NHCRWA fails to comply with the above Subsidence District regulations or its GRP, the NHCRWA is subject to a substantial disincentive fee penalty in the amount of \$9.58 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the NHCRWA's GRP. In the event of such NHCRWA failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the NHCRWA, the NHCRWA would likely seek monetary or other penalties against the District. The District is currently in compliance with NHCRWA mandates.

The District receives surface water from the NHCRWA. The NHCRWA supplies approximately 71% of the District's water supply needs. As the NHCRWA cannot guarantee that it can meet the water supply needs of the District, the District continues to maintain and operate its own water supply system to meet the District's water demands.

Drainage: The developed portions of the District are served with storm sewers and outfall drainage facilities constructed with proceeds of the Outstanding Bonds. According to the Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect, which covers the land in the District, reflects that approximately 34.5 developed acres in the District lie within the current Federal Emergency Management Agency 100-year flood plain of any water course. Approximately 94.5 acres of land lie within the 100-year flood plain and most are being used as park facilities. The District has entered into a Drainage System Agreement and an Agreement for Joint Financing, Construction and Maintenance of Drainage Facilities with MUD No. 249 (collectively, the "Drainage Agreements") in which the District owns a pro rata share of the capacity in certain detention ponds and outfall channels. Under such Drainage Agreements the District is required to pay its pro rata share of the costs to construct certain drainage facilities as well as pay for a pro rata share of the maintenance and repair costs of the drainage facilities. By order dated March 24, 2022, the District adopted an Order Establishing and Adopting Drainage Policy for Commercial Properties which provides certain rules, regulations, and policies relating to the cleaning, maintenance, and repair of drainage facilities on commercial properties located in the District.

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Water and Sewer Rates

The rates shown below for water and sewer services furnished to customers of the District's water and sewer system are currently in effect for the District.

Water Rates

Residential and Builder

0 – 8,000 gallons	\$ 11.00 (Minimum)
8,001 – 20,000 gallons.....	\$ 0.50/1,000 Gals.
20,001 – 30,000 gallons.....	\$ 1.50/1,000 Gals.
30,001 – 40,000 gallons.....	\$ 2.50/1,000 Gals.
Over 40,000 gallons.....	\$ 3.50/1,000 Gals.

Apartments

\$11.00 per Multi-Family Unit (minimum), based on 95% occupancy, plus \$1.25 per 1,000 gallons over the calculation of 8,000 gallons times 95% of the total number of Multi-Family Units

Single-Use Retail Commercial Structures and Irrigation Connections

0 – 8,000 gallons	\$ 75.00 (Minimum)
8,001 – 15,000 gallons.....	\$ 1.25/1,000 Gals.
15,001 – 75,000 gallons.....	\$ 1.50/1,000 Gals.
75,001 – 150,000 gallons.....	\$ 3.00/1,000 Gals.
Over 150,000 gallons.....	\$ 5.00/1,000 Gals.

Multi-Use Retail Commercial Structures

0 – 8,000 gallons	\$ 75.00 (Minimum)
8,001 – 15,000 gallons.....	\$ 1.25/1,000 Gals.
15,001 – 75,000 gallons.....	\$ 1.50/1,000 Gals.
75,001 – 150,000 gallons.....	\$ 3.00/1,000 Gals.
Over 150,000 gallons.....	\$ 5.00/1,000 Gals.

Car Washes

0 – 50,000 gallons.....	\$ 300.00 (Minimum)
50,001 – 75,000 gallons.....	\$ 1.25/1,000 Gals.
Over 75,000 gallons.....	\$ 3.00/1,000 Gals.

Non-Profit Irrigation

\$5.00 minimum or \$0.25 per 1,000 gallons of water used, whichever is greater

Surcharge:

NHCRWA Fee – \$4.31* per 1,000 gallons of water used

* This amount is subject to change from time-to-time by action of the NHCRWA.

In the case of a dual use structure (i.e. a residential structure used for both residential and commercial purpose) the rate for water service shall be the rate established for a Commercial Connection.

Sewer Rates

The following monthly rates for the collection and disposal of sewage shall be in effect for each Separate Connection within the District from the effective date hereof until such time as the Board amends such rates:

Residential

Any quantity.....\$ 31.00 (Flat Fee)

Apartments

\$16.25 per Multi-Family Unit (minimum), based on 95% occupancy, plus \$1.25 per 1,000 gallons over the calculation of 8,000 gallons times 95% of the total number of Multi-Family Units

Single-Use Retail Commercial Structures and Irrigation Connections

0 – 8,000 gallons	\$ 55.00 (Minimum)
8,001 – 15,000 gallons.....	\$ 1.25/1,000 Gals.
15,001 – 75,000 gallons.....	\$ 1.50/1,000 Gals.
75,001 – 150,000 gallons	\$ 3.00/1,000 Gals.
Over 150,000 gallons	\$ 5.00/1,000 Gals.

Multi-Use Retail Commercial Structures

0 – 8,000 gallons	\$ 105.00 (Minimum)
8,001 – 15,000 gallons.....	\$ 1.25/1,000 Gals.
15,001 – 75,000 gallons.....	\$ 1.50/1,000 Gals.
75,001 – 150,000 gallons	\$ 3.00/1,000 Gals.
Over 150,000 gallons	\$ 5.00/1,000 Gals.

Commercial Offices

0 – 8,000 gallons	\$ 130.00 (Minimum)
8,001 – 15,000 gallons.....	\$ 1.25/1,000 Gals.
15,001 – 75,000 gallons.....	\$ 1.50/1,000 Gals.
75,001 – 150,000 gallons	\$ 3.00/1,000 Gals.
Over 150,000 gallons	\$ 5.00/1,000 Gals.

Car Washes

0 – 50,000 gallons.....	\$ 300.00 (Minimum)
50,001 – 75,000 gallons.....	\$ 1.25/1,000 Gals.
Over 75,000 gallons.....	\$ 3.00/1,000 Gals.

Sanitary Sewer Dump Station

for Recreational Vehicles/Motorhomes\$ \$55.00/Station

Non-Profit (provided the non-profit entity has a sewer tap)

Any quantity.....\$ 2.00/1,000 Gals.

In the case of a dual use structure (i.e. a residential structure used for both residential and commercial purpose) the rate for water service shall be the rate established for a Commercial Connection.

Historical Operations of the System

The following summary of the District's operating fund shows audited figures for the fiscal years ended July 31, 2019, through July 31, 2023. Such figures were obtained from the District's most recent financial statements, attached hereto as "APPENDIX A", and bookkeeper's reports.

	Fiscal Year Ended July 31				
<u>Revenues</u>	2023	2022	2021	2020	2019
Property Taxes	\$ 1,563,184	\$ 1,386,123	\$ 1,371,223	\$ 1,326,975	\$ 1,263,957
Water Service	876,079	864,424	980,299	820,198	851,030
Wastewater Service	1,431,925	1,292,972	1,212,376	1,068,387	1,140,369
Water Authority Fees	1,814,738	1,888,568	1,812,137	1,590,020	1,407,803
Recreational Services	188,878	200,999	181,456	130,331	193,354
Detention Pond Maintenance	109,251	97,749	101,085	102,661	101,372
Sales Tax Revenues	1,615,699	1,654,107	1,555,008	1,352,857	1,444,437
Penalty & Interest	81,382	88,293	68,574	34,463	51,071
Tap Connection & Inspection	132,790	160,550	287,048	116,295	174,665
Storm Related Revenues	-	18,430	228,077	100,379	658,809
Miscellaneous Revenues	434,366	85,717	117,759	157,908	196,000
Water Authority Credits	251,456	251,456	304,242	251,455	251,455
Total Revenues	\$ 8,499,748	\$ 7,989,388	\$ 8,219,284	\$ 7,051,929	\$ 7,734,322
<u>Expenditures</u>					
Professional Fees	\$ 596,576	\$ 289,054	\$ 273,661	\$ 306,491	\$ 266,137
Contracted Services	1,740,880	1,562,252	1,494,980	1,447,498	1,411,643
Purchase Wastewater Service	135,115	94,101	92,060	86,783	92,124
Parks & Recreation	844,378	952,276	873,178	1,020,746	1,183,958
Utilities	247,497	267,752	263,334	261,890	253,447
Water Authority Assessment	1,798,900	1,885,157	1,920,257	1,670,286	1,500,703
Repairs & Maintenance	1,142,305	828,124	799,531	636,617	717,966
Other	817,745	648,877	576,311	644,418	594,249
Capital Outlay	187,384	377,694	273,364	857,165	2,408,545
Bond Principal and Interest	-	793,276	-	-	1,000,000
Total Expenditures	\$ 7,510,780	\$ 7,698,563	\$ 6,566,676	\$ 6,931,894	\$ 9,434,117
Revenues Over Expenditures	\$ 988,968	\$ 290,825	\$ 1,652,608	\$ 120,035	\$(1,699,795)
Net Change in Fund Balance	\$ 988,968	\$ 892,651	\$ 1,652,608	\$ 120,035	\$(1,699,795)
Beginning Fund Balance	\$ 7,667,139	\$ 6,774,488	\$ 5,121,880	\$ 5,001,845	\$ 6,701,640
Ending Fund Balance	\$ 8,656,107	\$ 7,667,139	\$ 6,774,488	\$ 5,121,880	\$ 5,001,845

Services to Customers Located Outside the District

The District has agreed to provide water and sewer service to Lemm Elementary School, McNabb Elementary, Cornerstone Church, and Resurrection Lutheran Church as out-of-District customers at the in-District rate for commercial customers.

The District has a contract with Basileus Capital Partners LLC to provide water and sewer service Basileus Capital Partners LLC at four (4) times the in-District rate for similar customers located within the District.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and not Texas; the County; the City; or any entity other than the District. The Bonds will be 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. The Bonds are further payable from, and secured by, a pledge of Net Revenues, if any, of the System. It is not expected that Net Revenues will ever be sufficient to materially contribute to debt service payments on the Bonds. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of the District property is directly related to the economics of the residential and commercial building industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Tax Collections Limitations

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

Environmental and Air Quality Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone

standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

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

Recent Extreme Weather Events and Potential Impact of Natural Disasters

The greater area surrounding the City, including the District, is subject to occasional severe weather events, including tornadoes, flooding, tropical storms, and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The area surrounding the City, including the County, sustained widespread rain damage and flooding 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 Engineer, during the rain event resulting from Hurricane Harvey, the District’s wastewater treatment plant and two sewer lift stations were compromised due to high water and primary power provider outages. The District’s water production facilities remained operational on emergency generators. Additionally, according to the Engineer, approximately 280 homes within the District incurred water damage, which amount, at the time, represented less than ten percent (10%) of the overall connections within the District.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

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

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed

and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised

Specific Flood Type Risks

The District may be subject to the following types of flood risks:

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

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

County and City Floodplain Regulations

As a direct result of Hurricane Harvey, the County and the City 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 County regulations took effect January 1, 2018, and the new and amended City regulations took effect September 1, 2018.

The County floodplain regulations govern construction projects in the unincorporated areas of the County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the 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 City floodplain regulations govern construction projects in the corporate jurisdiction of the City and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements to meet the new and amended City regulations.

The new and amended County and City 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.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Statutory language

authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waiver of such immunity by the Texas Legislature a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Bankruptcy Limitation to Registered Owners' Rights."

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. In the event of a bankruptcy filing, the rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

Impact on the District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2023 Taxable Assessed Valuation of property within the District (see "SELECTED FINANCIAL INFORMATION"), is \$1,232,683,665. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,244,406 (2031) and the average annual debt service requirement will be \$1,816,358 (2024 through 2035, inclusive). Assuming no increase to nor decrease from the 2023 Taxable Assessed Valuation, tax rates of \$0.20 and \$0.16 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$2,244,406 and the average annual debt service requirement of \$1,816,358, respectively (see "DISTRICT DEBT – Debt Service Requirements" and "TAX DATA – Tax Rate Calculations"). For the 2023 tax year, the Board levied a tax rate for debt service purposes of \$0.17 per \$100 of assessed valuation.

Future Debt

Following the issuance of the Bonds, \$6,585,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for System facilities and \$31,210,000 principal amount of waterworks and sewer system combination unlimited tax and revenue refunding bonds will remain authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order.

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 the District which is recovered by the District 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 insurer of the Policy (the "Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

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

In the event the 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 Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District or the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Production of Net Revenues

The Net Revenues, if any, to be derived from the operation of the System are entirely dependent upon sales of water and sewer services to current and future residents and users of the System and related operating expenses. The District does not expect that the operation of the System will produce Net Revenues sufficient to make a significant contribution, if any, to the District's debt service requirements. An audit of the District's accounts for the fiscal year ended July 31, 2023, is included as "APPENDIX A" to this Official Statement. See "THE SYSTEM – Historical Operations of the System."

Marketability of the Bonds

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

Dependence on the Oil and Gas Industry

Unprecedented volatility in the oil and gas industry due to the unused supply of oil as a result of COVID-19 stay-at-home orders and other mitigation efforts resulted in historic low prices in a key segment of the nation's oil trading. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. The State of Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in the State of Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

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 "TAX EXEMPTION."

Approval of the Bonds

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and the Net Revenues, if any, from the System, and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds and the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the federal alternative minimum tax.

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE DISTRICT - General," "THE BONDS (except under the subheading "Registered Owner's Remedies)," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Proceedings," "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The legal fees paid to Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX EXEMPTION

Tax Matters

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or Beneficial Owners to incur significant expense.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds are **NOT** “qualified tax-exempt obligations” within the meaning of section 265(b) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE OF INFORMATION

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 (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the heading “DISTRICT DEBT,” “TAX DATA,” and “APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT.” The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2024.

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

The District’s current fiscal year end is July 31. Accordingly, it must provide updated information by January 31 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB through EMMA.

Event Notices

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

or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which an official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the principal landowners, the Tax Assessor/Collector, the Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Experts

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "TAXING PROCEDURES," "THE DISTRICT – General," "LEGAL MATTERS – Legal Opinions," and "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM – Description of the System" has been provided by the Engineer and has been included herein in reliance upon the District of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Appraisal District and the District's Tax Assessor/Collector, and has been included in reliance upon the District of such parties as experts in the field of tax assessing and collecting.

Updating of Official Statement

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Harris County Water Control & Improvement District No. 110 as of the date shown on the cover of this Official Statement.

/s/ James Williams

President, Board of Directors

Harris County Water Control & Improvement District No. 110

ATTEST:

/s/ Vanessa Sommer

Secretary, Board of Directors

Harris County Water Control & Improvement District No. 110

APPENDIX A
Financial Statements of the District

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2023

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control
and Improvement District No. 110
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 110 (the "District") as of and for the year ended July 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The script is cursive and fluid.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 8, 2023

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

Management's discussion and analysis of the financial performance of Harris County Water Control and Improvement District No. 110 (the "District") provides an overview of the District's financial activities for the fiscal year ended July 31, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of 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. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$27,275,236 as of July 31, 2023. A portion of the District’s net position reflects its net investment in capital assets which includes land, buildings, equipment as well as water, wastewater, recreational and detention facilities less any debt used to acquire those assets that is still outstanding.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following summary of changes in the Statement of Net Position is presented as of July 31, 2023, and July 31, 2022.

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 21,903,959	\$ 20,986,672	\$ 917,287
Capital Assets (Net of Accumulated Depreciation)	24,154,061	23,929,904	224,157
Total Assets	\$ 46,058,020	\$ 44,916,576	\$ 1,141,444
Deferred Outflows of Resources	\$ 360,342	\$ 421,816	\$ (61,474)
Bonds Payable	\$ 16,876,146	\$ 18,301,249	\$ 1,425,103
Other Liabilities	2,266,980	1,635,106	(631,874)
Total Liabilities	\$ 19,143,126	\$ 19,936,355	\$ 793,229
Net Investment in Capital Assets	\$ 11,800,317	\$ 10,951,382	\$ 848,935
Restricted	3,672,764	3,512,011	160,753
Unrestricted	11,802,155	10,938,644	863,511
Total Net Position	\$ 27,275,236	\$ 25,402,037	\$ 1,873,199

The following table provides a summary of the District's operations for the years ended July 31, 2023, and July 31, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,390,255	\$ 3,331,783	\$ 58,472
Sales Tax Revenues	1,615,699	1,654,107	(38,408)
Charges for Services	4,636,350	4,625,518	10,832
Other Revenues	926,215	616,663	309,552
Total Revenues	\$ 10,568,519	\$ 10,228,071	\$ 340,448
Expenses for Services	8,695,320	8,072,142	(623,178)
Change in Net Position	\$ 1,873,199	\$ 2,155,929	\$ (282,730)
Net Position, Beginning of Year	25,402,037	23,246,108	2,155,929
Net Position, End of Year	\$ 27,275,236	\$ 25,402,037	\$ 1,873,199

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2023, were \$16,558,927, an increase of \$448,224 from the prior year.

The General Fund fund balance increased by \$988,968, primarily due to service revenues, sales tax revenues, and property tax revenues exceeding operating and capital expenditures.

The Debt Service Fund fund balance increased by \$198,107, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$738,851, due to the use of bond proceeds received in prior years to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors approved an unappropriated budget for the current fiscal year, which was amended to increase anticipated investment and miscellaneous revenues as well as to increase anticipated capital outlay costs. Actual revenues were \$7,708 less than budgeted revenues and actual expenditures were \$455,670 less than budgeted expenditures. This resulted in a positive variance of \$447,962. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of July 31, 2023, total \$24,154,061 (net of accumulated depreciation) and include the park and recreational facilities, land, buildings, equipment, water facilities, wastewater facilities, and detention facilities. Significant current year activity included rehabilitation of the Louetta lift station, rehabilitation of the elevated storage tank, rehabilitation of the Hickory Twig lift station, rehabilitation of water plant no. 2 ground storage tank, sanitary sewer rehabilitation, and construction of an emergency interconnect with Spring West MUD.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 7,147,335	\$ 7,147,335	\$
Construction in Progress	1,063,255	366,514	696,741
Capital Assets Subject to Depreciation:			
Buildings and Equipment	2,964,064	2,964,064	
Water and Wastewater Facilities	23,007,256	22,662,510	344,746
Detention Facilities	4,146,017	4,146,017	
Recreational Facilities	3,175,370	3,100,770	74,600
Less Accumulated Depreciation	(17,349,236)	(16,457,306)	(891,930)
Total Net Capital Assets	<u>\$ 24,154,061</u>	<u>\$ 23,929,904</u>	<u>\$ 224,157</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2023**

LONG-TERM DEBT ACTIVITY

As of July 31, 2023, the District had total bond debt payable of \$16,645,000. The changes in the debt position of the District during the fiscal year ended July 31, 2023, are summarized as follows:

Bond Debt Payable, August 1, 2022	\$ 18,030,000
Less: Bond Principal Paid	<u>1,385,000</u>
Bond Debt Payable, July 31, 2023	<u><u>\$ 16,645,000</u></u>

The District carries underlying ratings of “A1”. The Series 2019 Refunding, Series 2020 Refunding, and Series 2021 Bonds carry insured ratings of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Water Control and Improvement District No. 110, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 481,270	\$ 30,486
Investments	8,507,561	3,695,234
Receivables:		
Property Taxes	31,803	49,172
Penalty and Interest on Delinquent Taxes		
Service Accounts	401,582	
Accrued Interest	31,842	
Other	300	
Due from Other Funds		47,848
Prepaid Costs	280,812	
Due from City of Houston	395,853	
Due from Other Governmental Units	132,954	
Joint Facilities Operating Advance	20,159	
Water Authority Capital Contribution		
Chloramine Conversion Costs Receivable		
Reclaimed Water Credits Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 10,284,136</u>	<u>\$ 3,822,740</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 10,284,136</u></u>	<u><u>\$ 3,822,740</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 4,600	\$ 516,356	\$	\$ 516,356
4,689,629	16,892,424		16,892,424
	80,975		80,975
		36,457	36,457
	401,582		401,582
	31,842		31,842
	300		300
	47,848	(47,848)	
	280,812		280,812
	395,853		395,853
	132,954		132,954
	20,159		20,159
		2,272,116	2,272,116
		329,080	329,080
		513,049	513,049
		7,147,335	7,147,335
		1,063,255	1,063,255
		15,943,471	15,943,471
<u>\$ 4,694,229</u>	<u>\$ 18,801,105</u>	<u>\$ 27,256,915</u>	<u>\$ 46,058,020</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 360,342</u>	<u>\$ 360,342</u>
<u>\$ 4,694,229</u>	<u>\$ 18,801,105</u>	<u>\$ 27,617,257</u>	<u>\$ 46,418,362</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 688,390	\$ 32,808
Accrued Interest Payable		
Due to Other Funds	47,848	
Security Deposits	859,988	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 1,596,226</u>	<u>\$ 32,808</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 31,803</u>	<u>\$ 49,172</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 280,812	\$
Operating Advance	20,159	
Restricted for Authorized Construction		
Restricted for Debt Service		3,740,760
Assigned for 2024 Budgeted Deficit	977,154	
Unassigned	<u>7,377,982</u>	
TOTAL FUND BALANCES	<u>\$ 8,656,107</u>	<u>\$ 3,740,760</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,284,136</u>	<u>\$ 3,822,740</u>
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 532,169	\$ 1,253,367	\$	\$ 1,253,367
		153,625	153,625
	47,848	(47,848)	
	859,988		859,988
		1,710,000	1,710,000
		15,166,146	15,166,146
<u>\$ 532,169</u>	<u>\$ 2,161,203</u>	<u>\$ 16,981,923</u>	<u>\$ 19,143,126</u>
<u>\$ - 0 -</u>	<u>\$ 80,975</u>	<u>\$ (80,975)</u>	<u>\$ - 0 -</u>
\$	\$ 280,812	\$ (280,812)	\$
	20,159	(20,159)	
4,162,060	4,162,060	(4,162,060)	
	3,740,760	(3,740,760)	
	977,154	(977,154)	
	7,377,982	(7,377,982)	
<u>\$ 4,162,060</u>	<u>\$ 16,558,927</u>	<u>\$ (16,558,927)</u>	<u>\$ - 0 -</u>
<u>\$ 4,694,229</u>	<u>\$ 18,801,105</u>		
		\$ 11,800,317	\$ 11,800,317
		3,672,764	3,672,764
		11,802,155	11,802,155
		<u>\$ 27,275,236</u>	<u>\$ 27,275,236</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2023**

Total Fund Balances - Governmental Funds	\$ 16,558,927
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables from the North Harris County Regional Water Authority are not current financial resources and, therefore, are not reported as assets in the governmental funds.	3,114,245
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The difference between the net carrying amount of the refunded bonds and the reacquisition price is recorded as a deferred outflow of resources 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.	360,342
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	24,154,061
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.	117,432
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (153,625)	
Bonds Payable	(16,876,146)	(17,029,771)
Total Net Position - Governmental Activities		\$ 27,275,236

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

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 1,563,184	\$ 1,870,318
Water Service	876,079	
Wastewater Service	1,431,925	
Water Authority Fees	1,814,738	
Recreational Services	188,878	
Detention Pond Maintenance	109,251	
Sales Tax Revenues	1,615,699	
Penalty and Interest	81,382	30,135
Tap Connection and Inspection Fees	132,790	
Investment and Miscellaneous Revenues	434,366	160,920
Water Authority Credits	251,456	
TOTAL REVENUES	<u>\$ 8,499,748</u>	<u>\$ 2,061,373</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 596,576	\$ 10,284
Contracted Services	1,740,880	67,840
Purchased Wastewater Service	135,115	
Parks and Recreation	844,378	
Utilities	247,497	
Water Authority Assessments	1,798,900	
Repairs and Maintenance	1,142,305	
Depreciation		
Other	817,745	11,667
Capital Outlay	187,384	
Debt Service:		
Bond Principal		1,385,000
Bond Interest		388,475
TOTAL EXPENDITURES/EXPENSES	<u>\$ 7,510,780</u>	<u>\$ 1,863,266</u>
NET CHANGE IN FUND BALANCES	\$ 988,968	\$ 198,107
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2022	<u>7,667,139</u>	<u>3,542,653</u>
FUND BALANCES/NET POSITION - JULY 31, 2023	<u><u>\$ 8,656,107</u></u>	<u><u>\$ 3,740,760</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,433,502	\$ (43,247)	\$ 3,390,255
	876,079		876,079
	1,431,925		1,431,925
	1,814,738		1,814,738
	188,878		188,878
	109,251		109,251
	1,615,699		1,615,699
	111,517	(28,828)	82,689
	132,790		132,790
190,855	786,141		786,141
	251,456	(111,382)	140,074
<u>\$ 190,855</u>	<u>\$ 10,751,976</u>	<u>\$ (183,457)</u>	<u>\$ 10,568,519</u>
\$	\$ 606,860	\$	\$ 606,860
	1,808,720		1,808,720
	135,115		135,115
	844,378		844,378
	247,497		247,497
	1,798,900		1,798,900
	1,142,305		1,142,305
		891,930	891,930
1,003	830,415		830,415
928,703	1,116,087	(1,116,087)	
	1,385,000	(1,385,000)	
	388,475	725	389,200
<u>\$ 929,706</u>	<u>\$ 10,303,752</u>	<u>\$ (1,608,432)</u>	<u>\$ 8,695,320</u>
\$ (738,851)	\$ 448,224	\$ (448,224)	\$
		1,873,199	1,873,199
4,900,911	16,110,703	9,291,334	25,402,037
<u>\$ 4,162,060</u>	<u>\$ 16,558,927</u>	<u>\$ 10,716,309</u>	<u>\$ 27,275,236</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$ 448,224
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.	(43,247)
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.	(28,828)
The principal portion of payments received from the North Harris County Regional Water Authority for chloramine conversion costs, capital contribution credits and reclaimed water credits reduce long-term receivables in the Statement of Net Position.	(111,382)
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.	(891,930)
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.	1,116,087
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.	1,385,000
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.	(725)
Change in Net Position - Governmental Activities	<u>\$ 1,873,199</u>

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 1. CREATION OF DISTRICT

The District was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the “Commission”), effective May 9, 1968, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board of Directors sets the policies of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District participates in a joint venture for the operation of a wastewater treatment plant (the “Plant”). Oversight responsibility of the Plant is with Harris County Municipal Utility District No. 249. Additional disclosure concerning this agreement is provided in Note 12.

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”).

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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.

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and each are considered to be major funds. The General Fund is used to account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund is used 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. The Capital Projects Fund is used to account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2023, the General Fund owed the Debt Service Fund \$47,848 for the over transfer of maintenance tax collections.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

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

Budgeting

An budget is adopted each year for the General Fund by the District's Board of Directors and is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was 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 eight full-time employees. The Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only. Effective April 10, 2019, the District adopted a 457(b) Plan for the benefit of eligible employees. Eligible employees can contribute up to five percent of their compensation. The District agrees to match and contribute the amount of the employee's contribution per payroll period. During the current fiscal year, eligible employees contributed \$11,568 and the District matched those contributions.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$977,154 of its General Fund fund balance for a budgeted deficit in the fiscal year ending July 31, 2024.

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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 3. LONG-TERM DEBT

	Refunding Series 2019	Refunding Series 2020	Series 2021
Amounts Outstanding – July 31, 2023	\$ 4,580,000	\$ 6,350,000	\$ 5,715,000
Interest Rates	2.00% - 4.00%	2.00% - 4.00%	1.00% - 2.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2023/2028	September 1, 2023/2030	September 1, 2023/2031
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2025*	September 1, 2025*	September 1, 2026*

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Series 2019 Refunding term bonds due September 1, 2026 are subject to mandatory redemption beginning September 1, 2024. Series 2020 Refunding term bonds due September 1, 2028 are subject to mandatory redemption beginning September 1, 2027. Series 2021 term bonds due September 1, 2028 and 2031 are subject to mandatory redemption beginning September 1, 2027 and 2029, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2023:

	August 1, 2022	Additions	Retirements	July 31, 2023
Bonds Payable	\$ 18,030,000	\$	\$ 1,385,000	\$ 16,645,000
Unamortized Discounts	(50,351)		(5,612)	(44,739)
Unamortized Premiums	321,600		45,715	275,885
Bonds Payable, Net	<u>\$ 18,301,249</u>	<u>\$ -0-</u>	<u>\$ 1,425,103</u>	<u>\$ 16,876,146</u>
		Amount Due Within One Year		\$ 1,710,000
		Amount Due After One Year		<u>15,166,146</u>
		Bonds Payable, Net		<u>\$ 16,876,146</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

The District has authorized but unissued bonds in the amount of \$10,770,000 for utility facilities and \$31,210,000 for refunding purposes. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount and certain bonds are further payable by the net revenues, if any, of the District's waterworks and sanitary sewer facilities.

As of July 31, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,710,000	\$ 343,950	\$ 2,053,950
2025	1,765,000	303,075	2,068,075
2026	1,805,000	266,650	2,071,650
2027	1,855,000	227,800	2,082,800
2028	1,895,000	173,650	2,068,650
2029-2032	<u>7,615,000</u>	<u>247,425</u>	<u>7,862,425</u>
	<u>\$ 16,645,000</u>	<u>\$ 1,562,550</u>	<u>\$ 18,207,550</u>

During the year ended July 31, 2023, the District levied an ad valorem debt service tax rate of \$0.18 per \$100 of assessed valuation, which resulted in a tax levy of \$1,918,970 on the adjusted taxable valuation of \$1,066,094,390 for the 2022 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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 each five-year anniversary of the bonds.

The bond orders state that the District is required by the Securities and Exchange Commission 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.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,966,356 and the bank balance was \$2,261,928. 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 July 31, 2023, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 481,270	\$ 1,450,000	\$ 1,931,270
DEBT SERVICE FUND	30,486		30,486
CAPITAL PROJECTS FUND	4,600		4,600
TOTAL DEPOSITS	<u>\$ 516,356</u>	<u>\$ 1,450,000</u>	<u>\$ 1,966,356</u>

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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.

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

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. 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 TexSTAR.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Certificates of deposit are recorded at acquisition cost.

As of July 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 7,028,731	\$ 7,028,731
TexSTAR	28,830	28,830
Certificates of Deposit	1,450,000	1,450,000
<u>DEBT SERVICE FUND</u>		
TexPool	3,695,234	3,695,234
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	4,689,629	4,689,629
TOTAL INVESTMENTS	<u>\$ 16,892,424</u>	<u>\$ 16,892,424</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in TexPool and TexSTAR were rated AAAM by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

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 TexSTAR to have maturities of less than one year since share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the 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.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2023, is summarized in the following table:

	August 1, 2022	Increases	Decreases	July 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 7,147,335	\$	\$	\$ 7,147,335
Construction in Progress	<u>366,514</u>	<u>1,116,087</u>	<u>419,346</u>	<u>1,063,255</u>
Total Capital Assets Not Being Depreciated	<u>\$ 7,513,849</u>	<u>\$ 1,116,087</u>	<u>\$ 419,346</u>	<u>\$ 8,210,590</u>
Capital Assets Subject to Depreciation				
Buildings and Equipment	\$ 2,964,064	\$	\$	\$ 2,964,064
Water and Wastewater Facilities	22,662,510	344,746		23,007,256
Detention Facilities	4,146,017			4,146,017
Recreational Facilities	<u>3,100,770</u>	<u>74,600</u>		<u>3,175,370</u>
Total Capital Assets Subject to Depreciation	<u>\$ 32,873,361</u>	<u>\$ 419,346</u>	<u>\$ - 0 -</u>	<u>\$ 33,292,707</u>
Less Accumulated Depreciation				
Buildings and Equipment	\$ 925,951	\$ 97,499	\$	\$ 1,023,450
Water and Wastewater Facilities	13,095,240	601,692		13,696,932
Detention Facilities	211,556	92,134		303,690
Recreational Facilities	<u>2,224,559</u>	<u>100,605</u>		<u>2,325,164</u>
Total Accumulated Depreciation	<u>\$ 16,457,306</u>	<u>\$ 891,930</u>	<u>\$ - 0 -</u>	<u>\$ 17,349,236</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,416,055</u>	<u>\$ (472,584)</u>	<u>\$ - 0 -</u>	<u>\$ 15,943,471</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 23,929,904</u>	<u>\$ 643,503</u>	<u>\$ 419,346</u>	<u>\$ 24,154,061</u>

NOTE 7. MAINTENANCE TAX

At an election held on May 1, 1993, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.15 per \$100 of assessed valuation of taxable property within the District. During the year ended July 31, 2023, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,599,142 on the adjusted taxable valuation of \$1,066,094,390 for the 2022 tax year. This maintenance tax is to be used by the General Fund to pay the costs of operating the District's water and wastewater systems.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS

The District and Harris County Municipal Utility District No. 104 (“District No. 104”) have entered into an agreement to provide for emergency water supply. The charge for service to either district in effect per the most recent contract amendment includes a charge for the supplying district’s cost of producing water plus any applicable water authority fees. The term of the contract extends through 2031.

The District and Harris County Water Control and Improvement District No. 99 (“District No. 99”) have entered into an agreement for emergency water supply. The charge for service to either district in effect per the most recent contract amendment includes a charge for the supplying district’s cost of producing water plus any applicable water authority fees. The term of the contract extends through 2032.

The District and Harris County Municipal Utility District No. 249 (“District No. 249”) have entered into an agreement to provide water to each other in the event of an emergency. The charge for service to either district in effect per the most recent contract amendment includes a charge for the supplying district’s cost of producing water plus any applicable water authority fees. The term of the contract extends through 2034.

The District and Spring West Municipal Utility District (“SW MUD”) have entered into an agreement to provide water to each other in the event of an emergency. The charge for service to either district in effect per the most recent contract amendment includes a charge for the supplying district’s cost of producing water plus any applicable water authority fees. The term of the contract extends through 2062.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the Authority. The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$4.10 per 1,000 gallons of water pumped from each well and \$4.55 per 1,000 gallons for purchased surface water. The District paid the Authority \$1,798,900 during the current fiscal year.

Capital Contribution Contract

On July 9, 2008, the District executed a Capital Contribution Contract with the Authority. The District made a capital contribution of \$2,994,883 for its share of the cost to complete Phase I of the 2010 Surface Water Distribution and Transmission System. The District began receiving capital contribution credits on its 3rd quarter 2009 Authority billing. Total credits received in the current fiscal year were \$220,560, of which \$93,402 was principal.

The following schedule summarizes the remaining capital contribution credits to be received under the terms of the agreement.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 98,422	\$ 122,138	\$ 220,560
2025	103,713	116,847	220,560
2026	109,288	111,272	220,560
2027	115,163	105,397	220,560
2028	121,354	99,206	220,560
2029-2033	711,920	390,880	1,102,800
2034-2038	924,974	177,826	1,102,800
2039	87,282	4,618	91,900
	<u>\$ 2,272,116</u>	<u>\$ 1,128,184</u>	<u>\$ 3,400,300</u>

Chloramine Conversion Reimbursement

The District converted its water system to chloramine disinfection to comply with the Authority's requirements. The District's reimbursable conversion costs totaled \$425,259. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the March 2011 Authority billing. Total credits received in the current fiscal year were \$30,895, of which \$10,951 was principal.

The schedule on the following page summarizes the remaining chloramine conversion credits to be received under the terms of the agreement.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Chloramine Conversion Reimbursement (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,626	\$ 19,269	\$ 30,895
2025	12,343	18,552	30,895
2026	13,104	17,791	30,895
2027	13,913	16,982	30,895
2028	14,771	16,124	30,895
2029-2033	88,695	65,778	154,473
2034-2038	122,300	33,497	155,797
2039-2041	52,328	2,993	55,321
	<u>\$ 329,080</u>	<u>\$ 190,986</u>	<u>\$ 520,066</u>

Reclaimed Water System

The District entered into an Alternative Water Use Incentive Agreement with the Authority. The District received approval from the Commission authorizing the reuse of Type 1 wastewater effluent from the District's 1,000,000 gallons-per-day wastewater treatment plant to be used for makeup water in amenity ponds. Credits will be given on a monthly basis equal to \$0.75 per 1,000 gallons of metered alternative water use during the preceding month. Total credits are not to exceed the capital cost of the system of \$580,655. The District has received credits totaling \$67,606, of which \$7,029 was received in the current fiscal year. Reclaimed water credits receivable at year end was \$513,049.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

The District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the "City"). The agreement provides for the City to annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract. The District will continue to develop, to own, and to operate and maintain its water, wastewater, and drainage systems. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement extends through April 8, 2043. The City imposes a Sales and Use Tax within the boundaries of the Tract and pays the District one-half of all Sales and Use Tax revenues generated within 30 days of the City receiving the funds from the State Comptroller's office. During the fiscal year ended July 31, 2023, the District received sales tax revenues of \$1,615,699 and recorded a receivable of \$395,853 for uncollected sales tax revenues.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2023**

NOTE 12. WASTE DISPOSAL AGREEMENT

Effective February 17, 2000, the District entered into a waste disposal agreement with Harris County Municipal Utility District No. 249. The agreement has since been amended. Current plant capacity is 800,000 gallons-per-day, of which the District's share is 216,000 gallons-per-day. District No. 249 manages and operates the joint facilities. The term of the agreement is 50 years. During the year ended July 31, 2023, the District incurred costs of \$135,115 for purchased sewer service. The District advanced \$20,159 for operations in a prior year.

The condensed audited financial information of the joint facilities as of and for the year ended December 31, 2022, as reflected in District No. 249's financial statements, is as follows:

	Wastewater Treatment Plant
Total Assets	<u>\$ 111,190</u>
Total Liabilities	\$ 30,444
Total Fund Balance	<u>80,746</u>
Total Liabilities and Fund Balance	<u>\$ 111,190</u>
Total Revenues	\$ 313,990
Total Expenditures	<u>313,990</u>
Net Change in Fund Balance	\$ -0-
Other Financing Sources – Decrease In Operating Reserve	(15,604)
Fund Balance, Beginning of Year	<u>96,350</u>
Fund Balance, End of Year	<u>\$ 80,746</u>

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2023

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2023**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,525,000	\$ 1,525,000	\$ 1,563,184	\$ 38,184
Water Service	1,125,000	1,125,000	876,079	(248,921)
Wastewater Service	1,235,000	1,235,000	1,431,925	196,925
Water Authority Fees	1,900,000	1,900,000	1,814,738	(85,262)
Recreational Services	190,000	190,000	188,878	(1,122)
Detention Pond Maintenance	125,000	125,000	109,251	(15,749)
Sales Tax Revenues	1,695,000	1,695,000	1,615,699	(79,301)
Penalty and Interest	60,000	60,000	81,382	21,382
Tap Connection and Inspection Fees	175,000	175,000	132,790	(42,210)
Investment and Miscellaneous Revenues	31,000	226,000	434,366	208,366
Water Authority Credits	251,456	251,456	251,456	
TOTAL REVENUES	\$ 8,312,456	\$ 8,507,456	\$ 8,499,748	\$ (7,708)
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 382,500	\$ 382,500	\$ 596,576	\$ (214,076)
Contracted Services	1,859,000	1,859,000	1,740,880	118,120
Purchased Wastewater Service	120,000	120,000	135,115	(15,115)
Parks and Recreation	1,430,950	1,430,950	844,378	586,572
Utilities	290,000	290,000	247,497	42,503
Water Authority Assessments	1,850,000	1,850,000	1,798,900	51,100
Repairs and Maintenance	775,000	775,000	1,142,305	(367,305)
Other	659,000	659,000	817,745	(158,745)
Capital Outlay		600,000	187,384	412,616
TOTAL EXPENDITURES	\$ 7,366,450	\$ 7,966,450	\$ 7,510,780	\$ 455,670
NET CHANGE IN FUND BALANCE	\$ 946,006	\$ 541,006	\$ 988,968	\$ 447,962
FUND BALANCE - AUGUST 1, 2022	7,667,139	7,667,139	7,667,139	
FUND BALANCE - JULY 31, 2023	\$ 8,613,145	\$ 8,208,145	\$ 8,656,107	\$ 447,962

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 110**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2023

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,995</u>	<u>1,980</u>	x 1.0	<u>1,980</u>
1"	<u>286</u>	<u>284</u>	x 2.5	<u>710</u>
1½"	<u>47</u>	<u>46</u>	x 5.0	<u>230</u>
2"	<u>82</u>	<u>81</u>	x 8.0	<u>648</u>
3"	<u>1</u>		x 15.0	
4"	<u>7</u>	<u>7</u>	x 25.0	<u>175</u>
6"	<u>22</u>	<u>22</u>	x 50.0	<u>1,100</u>
8"	<u>10</u>	<u>10</u>	x 80.0	<u>800</u>
10"			x 115.0	
Total Water Connections	<u>2,450</u>	<u>2,430</u>		<u>5,643</u>
Total Wastewater Connections	<u>2,361</u>	<u>2,344</u>	x 1.0	<u>2,344</u>

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

Gallons pumped into system:	169,959,000	Water Accountability Ratio: 92 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	289,280,000	
Gallons purchased:	146,009,000	From: North Harris County Regional Water Authority
Leaks and flushing:	2,870,000	

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2023**

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 27,500
Engineering	319,936
Legal	249,140
TOTAL PROFESSIONAL FEES	<u>\$ 596,576</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 135,115</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 60,621
Operations and Billing	221,004
Solid Waste Disposal	534,008
Security	925,247
TOTAL CONTRACTED SERVICES	<u>\$ 1,740,880</u>
UTILITIES	<u>\$ 247,497</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,142,305</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 35,518
Insurance	190,050
Office Supplies and Postage	65,486
IT costs, Consulting, Meetings, and Other	89,587
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 380,641</u>
CAPITAL OUTLAY	<u>\$ 187,384</u>
TAP CONNECTIONS	<u>\$ 53,579</u>
PARKS AND RECREATION	<u>\$ 844,378</u>
OTHER EXPENDITURES:	
Chemicals	\$ 105,345
Laboratory Fees	65,736
Permit Fees	15,320
Inspection and Reconnection Fees	63,426
Water Authority Assessments	1,798,900
Regulatory Assessment	11,089
Sludge Hauling	122,609
TOTAL OTHER EXPENDITURES	<u>\$ 2,182,425</u>
TOTAL EXPENDITURES	<u><u>\$ 7,510,780</u></u>

Number of persons employed by the District	<u>8</u>	Full-Time	<u>34</u>	Part-Time
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See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
INVESTMENTS
JULY 31, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 7,028,731	\$
TexSTAR	XXXX2220	Varies	Daily	28,830	
Certificate of Deposit	XXXX7799	2.47%	09/23/23	240,000	5,051
Certificate of Deposit	XXXX5194	3.00%	09/26/23	240,000	6,076
Certificate of Deposit	XXXX3774	3.00%	09/28/23	500,000	12,575
Certificate of Deposit	XXXX4982	3.25%	09/23/23	240,000	6,646
Certificate of Deposit	XXXX2164	4.94%	06/13/24	230,000	1,494
TOTAL GENERAL FUND				<u>\$ 8,507,561</u>	<u>\$ 31,842</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	<u>\$ 3,695,234</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX4440	Varies	Daily	<u>\$ 4,689,629</u>	<u>\$ -0-</u>
TOTAL				<u><u>\$ 16,892,424</u></u>	<u><u>\$ 31,842</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2023**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
AUGUST 1, 2022	\$	45,878	\$	78,344
Adjustments to Beginning				
Balance		<u>(50,033)</u>		<u>(77,824)</u>
	\$	(4,155)	\$	520
Original 2022 Tax Levy	\$	1,597,334	\$	1,916,801
Adjustment to 2022 Tax Levy		<u>1,808</u>	<u>2,169</u>	<u>1,918,970</u>
		1,599,142		
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,594,987		\$ 1,919,490
TAX COLLECTIONS:				
Prior Years	\$	(19,317)	\$	(28,683)
Current Year		<u>1,582,501</u>	<u>1,899,001</u>	<u>1,870,318</u>
		1,563,184		
TAXES RECEIVABLE -				
JULY 31, 2023		<u>\$ 31,803</u>		<u>\$ 49,172</u>
TAXES RECEIVABLE BY YEAR:				
2022	\$	16,641	\$	19,969
2021		2,796		3,915
2020		2,344		3,438
2019		1,823		2,916
2018		948		1,580
2017		556		1,038
2016		434		809
2015		658		1,272
2014		677		1,400
2013		559		1,415
2012 and Prior		<u>4,367</u>		<u>11,420</u>
TOTAL	\$	<u>31,803</u>	\$	<u>49,172</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PROPERTY VALUATIONS:				
Land	\$ 319,255,063	\$ 244,433,221	\$ 246,618,255	\$ 242,005,093
Improvements	841,915,092	715,962,603	692,534,421	663,793,077
Personal Property	158,695,343	145,695,382	155,981,205	145,639,358
Exemptions	<u>(253,771,108)</u>	<u>(174,808,550)</u>	<u>(173,105,638)</u>	<u>(162,455,113)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 1,066,094,390</u>	<u>\$ 931,282,656</u>	<u>\$ 922,028,243</u>	<u>\$ 888,982,415</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.18	\$ 0.21	\$ 0.22	\$ 0.24
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.33</u>	<u>\$ 0.36</u>	<u>\$ 0.37</u>	<u>\$ 0.39</u>
ADJUSTED TAX LEVY*	<u>\$ 3,518,112</u>	<u>\$ 3,352,619</u>	<u>\$ 3,411,580</u>	<u>\$ 3,467,032</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.96 %</u>	<u>99.80 %</u>	<u>99.83 %</u>	<u>99.86 %</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 \$0.15 per \$100 of assessed valuation approved by voters on May 1, 1993.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

REFUNDING SERIES - 2019			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 940,000	\$ 125,800	\$ 1,065,800
2025	50,000	111,200	161,200
2026	50,000	110,200	160,200
2027	55,000	109,150	164,150
2028	1,725,000	74,100	1,799,100
2029	1,760,000	19,800	1,779,800
2030			
2031			
2032			
	<u>\$ 4,580,000</u>	<u>\$ 550,250</u>	<u>\$ 5,130,250</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

REFUNDING SERIES - 2020			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 680,000	\$ 145,350	\$ 825,350
2025	705,000	124,575	829,575
2026	735,000	99,300	834,300
2027	760,000	77,000	837,000
2028	50,000	68,900	118,900
2029	50,000	67,900	117,900
2030	1,920,000	48,200	1,968,200
2031	1,450,000	14,500	1,464,500
2032			
	<u>\$ 6,350,000</u>	<u>\$ 645,725</u>	<u>\$ 6,995,725</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

S E R I E S - 2 0 2 1			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$ 90,000	\$ 72,800	\$ 162,800
2025	1,010,000	67,300	1,077,300
2026	1,020,000	57,150	1,077,150
2027	1,040,000	41,650	1,081,650
2028	120,000	30,650	150,650
2029	155,000	29,275	184,275
2030	90,000	27,937	117,937
2031	100,000	26,750	126,750
2032	2,090,000	13,063	2,103,063
	<u>\$ 5,715,000</u>	<u>\$ 366,575</u>	<u>\$ 6,081,575</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2023**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 1,710,000	\$ 343,950	\$ 2,053,950
2025	1,765,000	303,075	2,068,075
2026	1,805,000	266,650	2,071,650
2027	1,855,000	227,800	2,082,800
2028	1,895,000	173,650	2,068,650
2029	1,965,000	116,975	2,081,975
2030	2,010,000	76,137	2,086,137
2031	1,550,000	41,250	1,591,250
2032	2,090,000	13,063	2,103,063
	<u>\$ 16,645,000</u>	<u>\$ 1,562,550</u>	<u>\$ 18,207,550</u>

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2023**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2022
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2019	\$ 6,450,000	\$ 5,485,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Refunding Bonds - Series 2020	7,275,000	6,730,000
Harris County Water Control and Improvement District No. 110 Unlimited Tax and Revenue Bonds - Series 2021	<u>5,815,000</u>	<u>5,815,000</u>
TOTAL	<u>\$ 19,540,000</u>	<u>\$ 18,030,000</u>

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

Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 55,810,000	\$ 33,000,000
Amount Issued	<u>45,040,000</u>	<u>1,790,000</u>
Remaining to be Issued	<u>\$ 10,770,000</u>	<u>\$ 31,210,000</u>
Debt Service Fund cash and investment balances as of July 31, 2023:	<u>\$ 3,725,720</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,023,061</u>	

See accompanying independent auditor's report.

Current Year Transactions				Paying Agent
Bonds Sold	Retirements		Bonds Outstanding July 31, 2023	
	Principal	Interest		
\$	\$ 905,000	\$ 153,475	\$ 4,580,000	Regions Bank Houston, TX
	380,000	161,250	6,350,000	Regions Bank Houston, TX
	100,000	73,750	5,715,000	Regions Bank Houston, TX
\$ - 0 -	\$ 1,385,000	\$ 388,475	\$ 16,645,000	

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,563,184	\$ 1,386,123	\$ 1,371,223
Water Service	876,079	864,424	980,299
Wastewater Service	1,431,925	1,292,972	1,212,376
Water Authority Fees	1,814,738	1,888,568	1,812,137
Recreational Services	188,878	200,999	181,456
Detention Pond Maintenance	109,251	97,749	101,085
Sales Tax Revenues	1,615,699	1,654,107	1,555,008
Penalty and Interest	81,382	88,293	68,574
Tap Connection and Inspection Fees	132,790	160,550	287,048
Storm Related Revenues		18,430	228,077
Investment and Miscellaneous Revenues	434,366	85,717	117,759
Water Authority Credits	251,456	251,456	304,242
TOTAL REVENUES	\$ 8,499,748	\$ 7,989,388	\$ 8,219,284
EXPENDITURES			
Professional Fees	\$ 596,576	\$ 289,054	\$ 273,661
Contracted Services	1,740,880	1,562,252	1,494,980
Purchased Wastewater Service	135,115	94,101	92,060
Parks and Recreation	844,378	952,276	873,178
Utilities	247,497	267,752	263,334
Water Authority Assessments	1,798,900	1,885,157	1,920,257
Repairs and Maintenance	1,142,305	828,124	799,531
Other	817,745	648,877	576,311
Capital Outlay	187,384	377,694	273,364
Bond Principal and Interest		793,276	
TOTAL EXPENDITURES	\$ 7,510,780	\$ 7,698,563	\$ 6,566,676
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 988,968	\$ 290,825	\$ 1,652,608
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$	\$ 286,144	\$
Contributed by Other Governmental Unit		315,682	
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 601,826	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 988,968	\$ 892,651	\$ 1,652,608
BEGINNING FUND BALANCE	7,667,139	6,774,488	5,121,880
ENDING FUND BALANCE	\$ 8,656,107	\$ 7,667,139	\$ 6,774,488

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 1,326,975	\$ 1,263,957	18.3 %	17.3 %	16.8 %	18.9 %	16.3 %
820,198	851,030	10.3	10.8	11.9	11.6	11.0
1,068,387	1,140,369	16.8	16.2	14.8	15.2	14.7
1,590,020	1,407,803	21.4	23.6	22.0	22.5	18.2
130,331	193,354	2.2	2.5	2.2	1.8	2.5
102,661	101,372	1.3	1.2	1.2	1.5	1.3
1,352,857	1,444,437	19.0	20.9	18.9	19.2	18.7
34,463	51,071	1.0	1.1	0.8	0.5	0.7
116,295	174,665	1.6	2.0	3.5	1.6	2.3
100,379	658,809		0.2	2.8	1.4	8.5
157,908	196,000	5.1	1.1	1.4	2.2	2.5
251,455	251,455	3.0	3.1	3.7	3.6	3.3
<u>\$ 7,051,929</u>	<u>\$ 7,734,322</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 306,491	\$ 266,137	7.0 %	3.6 %	3.3 %	4.3 %	3.4 %
1,447,498	1,411,643	20.5	19.6	18.2	20.5	18.3
86,783	92,124	1.6	1.2	1.1	1.2	1.2
1,020,746	1,183,958	9.9	11.9	10.6	14.5	15.3
261,890	253,447	2.9	3.4	3.2	3.7	3.3
1,670,286	1,500,703	21.2	23.6	23.4	23.7	19.4
636,617	717,966	13.4	10.4	9.7	9.0	9.3
644,418	599,594	9.6	8.1	7.0	9.1	7.8
857,165	2,408,545	2.2	4.7	3.3	12.2	31.1
	1,000,000		9.9			12.9
<u>\$ 6,931,894</u>	<u>\$ 9,434,117</u>	<u>88.3 %</u>	<u>96.4 %</u>	<u>79.8 %</u>	<u>98.2 %</u>	<u>122.0 %</u>
<u>\$ 120,035</u>	<u>\$ (1,699,795)</u>	<u>11.7 %</u>	<u>3.6 %</u>	<u>20.2 %</u>	<u>1.8 %</u>	<u>(22.0) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 120,035	\$ (1,699,795)					
5,001,845	6,701,640					
<u>\$ 5,121,880</u>	<u>\$ 5,001,845</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 1,870,318	\$ 1,941,881	\$ 2,013,254
Penalty and Interest	30,135	30,951	24,658
Investment and Miscellaneous Revenues	160,920	37,455	12,786
TOTAL REVENUES	<u>\$ 2,061,373</u>	<u>\$ 2,010,287</u>	<u>\$ 2,050,698</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 89,791	\$ 88,630	\$ 80,545
Debt Service Principal	1,385,000	1,480,000	1,375,000
Debt Service Interest	388,475	413,449	374,994
Bond Issuance Costs			
Payment to Refunding Bond Escrow Agent			
TOTAL EXPENDITURES	<u>\$ 1,863,266</u>	<u>\$ 1,982,079</u>	<u>\$ 1,830,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 198,107</u>	<u>\$ 28,208</u>	<u>\$ 220,159</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$	\$	\$
Bond Premiums			
Payment to Refunding Bond Escrow Agent			
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 198,107	\$ 28,208	\$ 220,159
BEGINNING FUND BALANCE	3,542,653	3,514,445	3,294,286
ENDING FUND BALANCE	<u>\$ 3,740,760</u>	<u>\$ 3,542,653</u>	<u>\$ 3,514,445</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,430</u>	<u>2,429</u>	<u>2,432</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>2,344</u>	<u>2,298</u>	<u>2,300</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 2,127,778	\$ 2,107,389	90.7 %	96.6 %	98.2 %	94.7 %	96.8 %
91,885	20,163	1.5	1.5	1.2	4.1	0.9
27,960	49,363	7.8	1.9	0.6	1.2	2.3
<u>\$ 2,247,623</u>	<u>\$ 2,176,915</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 90,974	\$ 84,157	4.4 %	4.4 %	3.9 %	4.0 %	3.9 %
685,000	2,845,000	67.2	73.6	67.1	30.5	130.7
496,478	703,598	18.8	20.6	18.3	22.1	32.3
314,161	258,790				14.0	11.9
95,000					4.2	
<u>\$ 1,681,613</u>	<u>\$ 3,891,545</u>	<u>90.4 %</u>	<u>98.6 %</u>	<u>89.3 %</u>	<u>74.8 %</u>	<u>178.8 %</u>
<u>\$ 566,010</u>	<u>\$ (1,714,630)</u>	<u>9.6 %</u>	<u>1.4 %</u>	<u>10.7 %</u>	<u>25.2 %</u>	<u>(78.8) %</u>
\$ 7,275,000	\$ 6,450,000					
106,755	225,513					
(7,071,130)	(6,417,722)					
<u>\$ 310,625</u>	<u>\$ 257,791</u>					
\$ 876,635	\$ (1,456,839)					
2,417,651	3,874,490					
<u>\$ 3,294,286</u>	<u>\$ 2,417,651</u>					
<u>2,421</u>	<u>2,414</u>					
<u>2,292</u>	<u>2,288</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2023**

District Mailing Address - Harris County Water Control and
Improvement District No. 110
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended July 31, 2023	Expense Reimbursements for the year ended July 31, 2023	Title
James N. Williams	05/23 - 05/27 (Elected)	\$ 7,200	\$ -0-	President
Jeannie Perkins	05/21 - 05/25 (Elected)	\$ 7,350	\$ -0-	First Vice President/ Assistant Secretary
Jerry A. Strickland	05/23 05/27 (Elected)	\$ 6,892	\$ -0-	Second Vice President
Venessa Sommer	05/21 - 05/25 (Elected)	\$ 7,034	\$ 842	Secretary
Tom Dowdy	05/23- 05/27 (Elected)	\$ 7,042	\$ -0-	Treasurer/ Investment Officer

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: June 12, 2023

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year. Fees of office in excess of the \$7,200 limit are expected to be reimbursed to the District in the next fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 110
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2023**

Consultants	Date Hired	Fees for the year ended July 31, 2023	Title
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/21/10	\$ 250,564	General Counsel/ Delinquent
	07/01/10	\$ 10,284	Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	07/08/09	\$ 27,500	Auditor
Myrtle Cruz, Inc.	12/96	\$ 68,788	Bookkeeper
Langford Engineering, Inc.	07/76	\$ 533,280	Engineer
Robert W. Baird & Co.	01/15	\$ -0-	Financial Advisor
Mary Jarmon		\$ -0-	Investment Officer
EDP	04/08	\$ 691,225	Former Operator
Municipal Operations and Consulting, Inc.	04/17/23	\$ 189,818	Operator
Equi-Tax, Inc.	01/80	\$ 50,053	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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