OFFICIAL STATEMENT DATED MARCH 7, 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; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “TAX EXEMPTION” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX EXEMPTION -- Qualified Tax-Exempt Obligations."

NEW ISSUE	**RATINGS: (S&P–BAM) “AA” (stable outlook)**
BOOK-ENTRY ONLY	**(See “BOND INSURANCE” herein)**
CUSIP Base No. 41422T	**Underlying–Not Rated**

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 404

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

$1,240,000
UNLIMITED TAX PARK BONDS, SERIES 2024

Bonds Dated: April 1, 2024 **Due: August 1, as shown on inside cover**

The $1,240,000 Unlimited Tax Park Bonds, Series 2024 (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 404 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See “THE BONDS--Source of and Security for Payment.”

Interest on the Bonds will accrue from April 1, 2024, and will be payable August 1, 2024 and each February 1 and August 1 thereafter, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in the principal denominations of $5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS--Book-Entry-Only System.”

Principal of and the redemption price for the Bonds are payable by UMB Bank, N.A., Houston, Texas (the “Paying Agent/Registrar”), or any successor paying agent/registrar. Interest on the Bonds will be payable by check mailed on or before the interest payment date to Registered Owners (defined hereinafter) shown on the records of the Paying Agent/Registrar on the fifteenth (15th) day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner. See “THE BONDS--Description.”

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**.

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS--Source of and Security for Payment.” The Bonds are subject to special investment considerations described herein. See “RISK FACTORS.” **Neither the State of Texas, Harris County, Texas, the City of Houston, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the “Underwriter”), subject among other things to the approval of the initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about April 11, 2024, in Houston, Texas.

MATURITY SCHEDULE

Bonds Dated: April 1, 2024 **Due: August 1, as shown below**

$1,240,000 Term Bonds

$270,000 Term Bonds, Due August 1, 2050 (a)(b), 5.25% Interest Rate, 4.00% Initial Yield (c) CUSIP (d) 41422TEV8

$970,000 Term Bonds, Due August 1, 2052 (a)(b), 4.25% Interest Rate, 4.28% Initial Yield (c) CUSIP (d) 41422TEX4

(a) The Bonds are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on August 1, 2030, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS–Optional Redemption."

(b) Term Bonds are also subject to mandatory redemption in part by lot or other customary method at a price of par plus accrued interest to the redemption date. See "THE BONDS–Mandatory Redemption."

(c) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from April 1, 2024 is to be added to the price.

(d) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

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 the heading "BOND INSURANCE" and "APPENDIX B--Specimen Municipal Bond Insurance Policy."

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter 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 or the Underwriter.

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd, Suite 1380, Houston, Texas 77056-3899 upon payment of duplication costs.

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

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 offering document.

SALE AND DISTRIBUTION OF THE BONDS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter prior to 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 Underwriter or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Underwriter.

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

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

Underwriter

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the "Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of 97.00% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.565417% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the "IBA" method).

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

Municipal Bond Rating

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company at the time of delivery of the Bonds (see "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy"). An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the sole judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUMMARY

The following information 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, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

- The District -

Issuer/Description	Harris County Municipal Utility District No. 404 (the "District") is a political subdivision of the State of Texas located in Harris County, Texas, and was created by an order of the Texas Commission on Environmental Quality ("TCEQ") on January 10, 2005. The District operates pursuant to Sections 49 and 54 of the Texas Water Code, as amended. The District is comprised of approximately 221.8098 acres in two separate tracts, located entirely within the City of Houston (the "City") corporate boundaries. The first tract, approximately 195.6470 acres, is located approximately 11 miles southwest of the central business district of the City. The tract is generally bounded on the north by West Airport Boulevard, on the east by Kirby Drive, on the west by Almeda Road, and on the south by Mowery Road. The second tract, approximately 26.1628 acres, is located south of Sims Bayou, east of future Kirby Drive, north of Orem Drive and west of State Highway 288. See "THE DISTRICT."
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT–Description."
Development Within The District	Current development within the District consists of 402 completed single-family homes, a hospice care center, an office building and a warehouse distribution facility. See "THE DISTRICT."

- The Bonds -

Authority for Issuance	The District is issuing its $1,240,000 Unlimited Tax Park Bonds, Series 2024 (the "Bonds"). $50,900,000 of unlimited tax water, wastewater and drainage bonds and $4,000,000 of unlimited tax park bonds were authorized at an election held May 11, 2013. The amount remaining of authorized but unissued water, wastewater, and drainage bonds after the issuance of the Bonds is $42,345,000. The amount remaining of authorized park bonds is $1,815,000. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54, Texas Water Code, as amended; an order of the TCEQ; and an order authorizing the issuance of the Bonds approved by the District's Board of Directors (the "Bond Order"). See "THE BONDS--Authority for Issuance."
Description	The Bonds are dated April 1, 2024 and bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable August 1, 2024 and each February 1 and August 1 thereafter until the earlier of maturity or redemption. The Bonds consist of two term bonds maturing August 1, 2050 and August 1, 2052 (the "Term Bonds.") The Term Bonds are subject to mandatory redemption as described herein under "THE BONDS–Mandatory Redemption." The Bonds are subject to redemption at the option of the District on any date on or after August 1, 2030 at a price of par plus accrued interest to the date of redemption. See "THE BONDS — Description" and " — Optional Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision other than the District. See "THE BONDS — Source of and Security for Payment."

Use of Proceeds	Proceeds of the sale of the Bonds will be used to (i) reimburse one of the Developers (hereafter defined) for the costs of land and construction of landscaping, sidewalks and street lights for parks within the District; (ii) provide for a pond and engineering, geotechnical and surveying for recreational facilities; and (iii) pay issuance costs on the Bonds. "THE BONDS — Use of Proceeds."
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during the calendar year 2024 is not reasonably expected to exceed $10,000,000. See "TAX EXEMPTION--Qualified Tax-Exempt Obligations."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by UMB Bank, N.A., Houston, Texas, the initial paying agent/registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see 'THE BONDS--Book-Entry-Only System").
Legal Opinions	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas. See "LEGAL MATTERS."
Financial Advisor	Blitch Associates, Inc., Houston, Texas.
Bond Counsel	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Municipal Bond Rating and Municipal Bond Insurance	S&P has assigned a municipal rating of "AA" (stable outlook) as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company. See "SALE AND DISTRIBUTION OF THE BONDS–Municipal Bond Rating," "BOND INSURANCE" and "APPENDIX B–Specimen Municipal Bond Insurance Policy." The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

- Financial Highlights -
(Unaudited)

2023 Taxable Assessed Valuation (100% of Market Value)		$166,186,857	(a)
Direct Debt			
Outstanding Bonds (As of March 1, 2024)		$8,530,000	
The Bonds		1,240,000	
Total Direct Debt		$9,770,000	
Estimated Overlapping Debt		3,974,684	(b)
Direct and Estimated Overlapping Debt		$13,744,684	
Direct Debt Ratios:			
Direct Debt to Value		5.88%	
Direct & Estimated Overlapping Debt to Value		8.27%	
2023 Tax Rate per $100 of Assessed Value			
Debt Service		$0.34500	
Maintenance		0.43000	
Total		$0.77500	
	Current	***Total***	
2022 Tax Collection Percentage	99.14%	98.98%	
Five-Year Average (2018/2022) Collection Percentage	99.58%	99.60%	
Average Annual Debt Service Requirements (2024/2052)		$576,356	
Maximum Annual Debt Service Requirements (2048)		$587,575	
Tax Rate Required to pay such Requirements at 98% Collection			
Average (2024/2052)		$0.354	
Maximum (2048)		$0.361	
Fund Balances as of February 12, 2024 (Cash & Investments)			
General Fund		$967,525	
Debt Service Fund		$419,743	(c)
Capital Projects Fund		$4,866	

(a) Certified by the Harris Central Appraisal District (the "Appraisal District"). All property located in the District is valued on the tax rolls by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."
(b) See "DISTRICT DEBT--Estimated Overlapping Debt."
(c) At the time of closing, accrued interest from April 1, 2024 to the date of delivery of the Bonds shall be deposited in the Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 404
$1,240,000
UNLIMITED TAX PARK BONDS, SERIES 2024

This Official Statement of Harris County Municipal Utility District No. 404 (the "District") is provided to furnish certain information with respect to the sale by the District of its $1,240,000 Unlimited Tax Park Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the boundaries of the District on May 11, 2013, and an Order of the Texas Commission on Environmental Quality (the "TCEQ"). See "THE BONDS."

This Preliminary Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, located at 1980 Post Oak Blvd, Suite 1380, Houston, Texas 77056-3899.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on August 1 of the years and in principal amounts, and will bear interest from April 1, 2024, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on August 1, 2024, and semiannually thereafter on each February 1 and August 1 until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner ("Registered Owner") and nominee of The Depository Trust Company, New York, New York ("DTC") acting as security depository for the Bonds, by the paying agent/registrar, initially UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distributions of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry-only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the Registered Owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the month next preceding the interest payment date (the "Record Date").

The Bonds of each maturity will be issued in fully-registered form only in principal amounts of $5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

Use of Proceeds

Proceeds of the sale of the Bonds will be used to (i) reimburse one of the Developers (hereafter defined) for the costs of land and construction of landscaping, sidewalks and street lights for parks within the District; (ii) provide for a pond and engineering, geotechnical and surveying for recreational facilities; and (iii) pay issuance costs on the Bonds.

The estimated costs outlined below have been provided by Deden Services, LLC, the District's consulting engineer (the "Engineer"), and reflect a portion of those costs approved by the Texas Commission on Environmental Quality ("TCEQ") of a bond issue of $1,335,000. The Financial Advisor determined that one year's capitalized interest from Bond proceeds would not be necessary. The Bonds have been reduced accordingly as shown below:

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (hereinafter defined). 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. Amounts indicated may not add due to rounding.

Construction Costs	***Approved***	***Less:***	***The Bonds***
Developer Items			
Kirby Landing Landscaping & Sidewalk	$259,034		$259,034
Engineering	44,934		44,934
Public Infrastructure to Serve Kirby Landing	12,560		12,560
Kirby Landing Street Lights	2,238		2,238
Land Costs	401,222		401,222
District Items			
South Detention Pond	222,288		222,288
Engineering	26,500		26,500
Geotechnical Testing	7,500		7,500
Surveying	5,900		5,900
Total Construction Costs	$982,176		$982,176
Non Construction Costs			
Bond Counsel	$40,050	($2,850)	$37,200
Financial Advisor	26,700	(1,900)	24,800
Capitalized Interest (One Year at 6.50%)	86,775	(86,775)	0
Developer Interest (Two Years at 6.50%)	63,776	0	63,776
Bond Discount (3.00%)	40,050	(2,850)	37,200
Bond Issuance Expenses	45,801	(293)	45,508
Bond Application Report	45,000	0	45,000
Attorney General Fee (0.10%)	1,335	(95)	1,240
TCEQ Fee (0.25%)	3,338	(238)	3,100
Total Non Construction Costs	$352,824	($95,000)	$257,824
The Bonds	$1,335,000	($95,000)	$1,240,000

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

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only 6System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, 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 ("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 a 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or 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 interest 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 the 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 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and 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 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 nor its nominee, 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 and 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 Paying Agent/Registrar, disbursement of such payments to Direct Participants shall 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

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

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds in whole or in part in principal amounts of $5,000 or any integral multiple thereof on August 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed.

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the Registered Owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such Registered Owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of $5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the Registered Owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Order.

Mandatory Redemption

The Bonds maturing August 1, 2050 and 2052 (collectively, the "Term Bonds"), are subject to mandatory redemption in part prior to maturity in the amounts (subject to redemption as described below) and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

Redemption Date		***Principal Amount***
	$270,000 Term Bonds Due August 1, 2050	
August 1, 2049		$130,000
August 1, 2050 (maturity)		140,000
	$970,000 Term Bonds Due August 1, 2052	
August 1, 2051		$540,000
August 1, 2052 (maturity)		430,000

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, at least 45 days prior to such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Ownership

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Order shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Source of and Security for Payment

The Bonds and the Outstanding Bonds (as hereinafter defined) (together with any additional unlimited tax or combination unlimited tax and revenue bonds as may hereafter be issued) are payable as to principal and interest from 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. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection.

Collected taxes will be placed in the District's Debt Service Fund and used solely to pay principal and interest on the Bonds, the Outstanding Bonds and on any additional bonds payable from taxes which may be issued. See "Issuance of Additional Debt" below.

Replacement of Paying Agent/Registrar

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

Authority for Issuance

The Bonds represent the second series of unlimited tax park bonds issued by the District for the purpose of park development to serve the District. $4,000,000 of unlimited tax park bonds for such purpose was authorized at an election held within the District on May 11, 2013, of which $1,815,000 will remain authorized but unissued following delivery of the Bonds. Additionally, $50,900,000 in unlimited tax bonds were authorized at the same election of which $42,345,000 remain authorized but unissued. See "Issuance of Additional Debt."

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, the Bond Order, an order issued by the TCEQ and an election held within the boundaries of the District on May 11, 2013.

Outstanding Debt

The District has previously issued and has outstanding its $1,740,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"); $3,385,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"); $2,680,000 Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"); $945,000 Unlimited Tax Park Bonds, Series 2019 (the "Series 2019 Bonds"); and $750,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds"). As of March 1, 2024, $1,515,000 of the Series 2014 Bonds, $2,905,000 of the Series 2016 Bonds, $2,445,000 of the Series 2017 Bonds, $915,000 of the Series 2019 Bonds and $750,000 of the Series 2022 Bonds remain outstanding (herein, the "Outstanding Bonds"). The District has timely made payments due on the Outstanding Bonds.

Issuance of Additional Debt

The District may issue additional bonds to provide those improvements for which the District was created. Following the issuance of the Bonds, $42,345,000 principal amount of unlimited tax bonds for water, wastewater, and drainage purposes and $1,815,000 principal amount of unlimited tax bonds for park purposes will remain authorized and unissued. The District has no present plans to issue additional debt within the next twelve months. See "RISK FACTORS–Future Debt."

Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, and the Bonds. Additional tax bonds may be voted in the future. The Board is further empowered to issue bond anticipation notes and tax anticipation notes.

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

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) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of 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, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. 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 or governmental charge payable in connection therewith.

Mutilated, Lost, Stolen or Destroyed Bonds

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 Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Consolidation and Dissolution

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its waterworks, sanitary sewer and drainage system (the "System") with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues shall continue to be subordinate. No representations are made that the District will ever consolidate its System with other systems.

Under Texas law, the territory within the District may be dissolved by the City without the consent of the District or its residents, subject to compliance with Chapter 43 of the Texas Local Government Code, as amended. If dissolution by the City does occur, the District would be abolished. When the District is dissolved, the City must assume the assets, functions and obligations of the District, including the obligation to pay interest and principal on the Bonds. No representation is made concerning the likelihood of dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

Amendments to the Bond Order

The District may, without the consent of or notice to any registered owners of the Bonds (the "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 or 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, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. 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 and Effects of Bankruptcy

The Bond Order does not provide for the appointment of a trustee to represent the interests of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Bond Order or upon any other condition and, in the event of any such failure to perform, the Registered Owners would be responsible for the initiation and cost of any legal action to enforce performance of the Bond Order. Furthermore, the Bond Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. A Registered Owner could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A Registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Bond Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Texas Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a Registered Owner could be required to enforce such remedy on a periodic basis.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a water control and improvement district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Chapter 1201, Texas Government Code, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and (b) legal investments and lawful security for the public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by 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 Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. 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 December 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $500.0 million, $230.7 million and $269.3 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 the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (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.

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas operating as a municipal utility district, pursuant to Article XVI, Section 59 of the Texas Constitution and by an order of the TCEQ dated January 10, 2005. The District is vested with all of the rights, privileges, authority and functions conferred by the general laws of the State of Texas applicable to municipal utility districts, including without limitation, those conferred by 49 and 54 of the Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District may also provide solid waste collection and disposal service and, subject to certain limitations, operate and maintain recreational facilities. Currently the District owns and operates a park within the District. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the TCEQ and the District's voters of the District's plans in such regard. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

Management of the District

The District is governed by the Board of Directors (the "Directors"), consisting of five directors, which has management control over and management supervision of all affairs of the District. Three of the Directors reside outside of the District, but own property within the District. Directors are elected to serve four-year staggered terms. Elections are held within the District in May of each even-numbered year. The current members and officers of the Board are as follows:

Name	***Title***	***Term Expires May***
Xochytl Greer	President	2024
Barrett Gibson	Vice President	2024
Jimmy Hoagland	Secretary	2026
Jeffrey S. Nutt	Assistant Secretary	2026
Amaka Unaka	Assistant Secretary	2024

Consultants and Other Services

The District contracts for the services indicated below:

Auditor - The District's annual financial statements as of May 31, 2023 have been prepared by McGrath & Co., PLLC, Houston, Texas. See "APPENDIX A" for a copy of the District's May 31, 2023 audited financial statements.

Bond Counsel - The District employs Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. See "LEGAL MATTERS."

Disclosure Counsel - Orrick, Herrington & Sutcliffe LLP, Houston, Texas. The legal fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

Financial Advisor - The District's financial advisor is Blitch Associates, Inc., Houston, Texas.

Engineer - The consulting engineer for the District is Deden Services, LLC, Houston, Texas.
Utility Provider – The City of Houston, Houston, Texas.

Bookkeeper - The District's bookkeeper is L&S District Services, LLC, Tomball, Texas.

Tax Assessor/Collector - The District's Tax Assessor/Collector is Utility Tax Service, LLC, Houston, Texas.

DEVELOPMENT OF THE DISTRICT

Description of the District

Harris County Municipal Utility District No. 404 (the "District") is a political subdivision of the State of Texas located in Harris County, Texas, and was created by an order of the Texas Commission on Environmental Quality ("TCEQ") on January 10, 2005. The District operates pursuant to Sections 49 and 54 of the Texas Water Code, as amended. The District is comprised of approximately 221.8098 acres in two separate tracts, located entirely within the City of Houston (the "City") corporate boundaries. The first tract, approximately 195.6470 acres, is located approximately 11 miles southwest of the central business district of the City. The tract is generally bounded on the north by West Airport Boulevard, on the east by Kirby Drive, on the west by Almeda Road, and on the south by Mowery Road. The second tract, approximately 26.1628 acres, is located south of Sims Bayou, east of future Kirby Drive, north of Orem Drive and west of State Highway 288.

Current Status of Development

The current single-family development of the District, as of February 14, 2024, is as follows:

	Acreage	***Total Lots***	***Homes Complete***
Airport Boulevard Estates, Section 1–Phase 1	34.322	110	110
Airport Boulevard Estates, Section 1–Phase 2	12.174	67	67
Airport Boulevard Estates, Section 1–Phase 3	10.873	44	44
Airport Boulevard Estates, Section 3	14.308	84	84
Kirby Landing	15.383	165	97
Sky View	26.163	175	0
	113.223	645	402

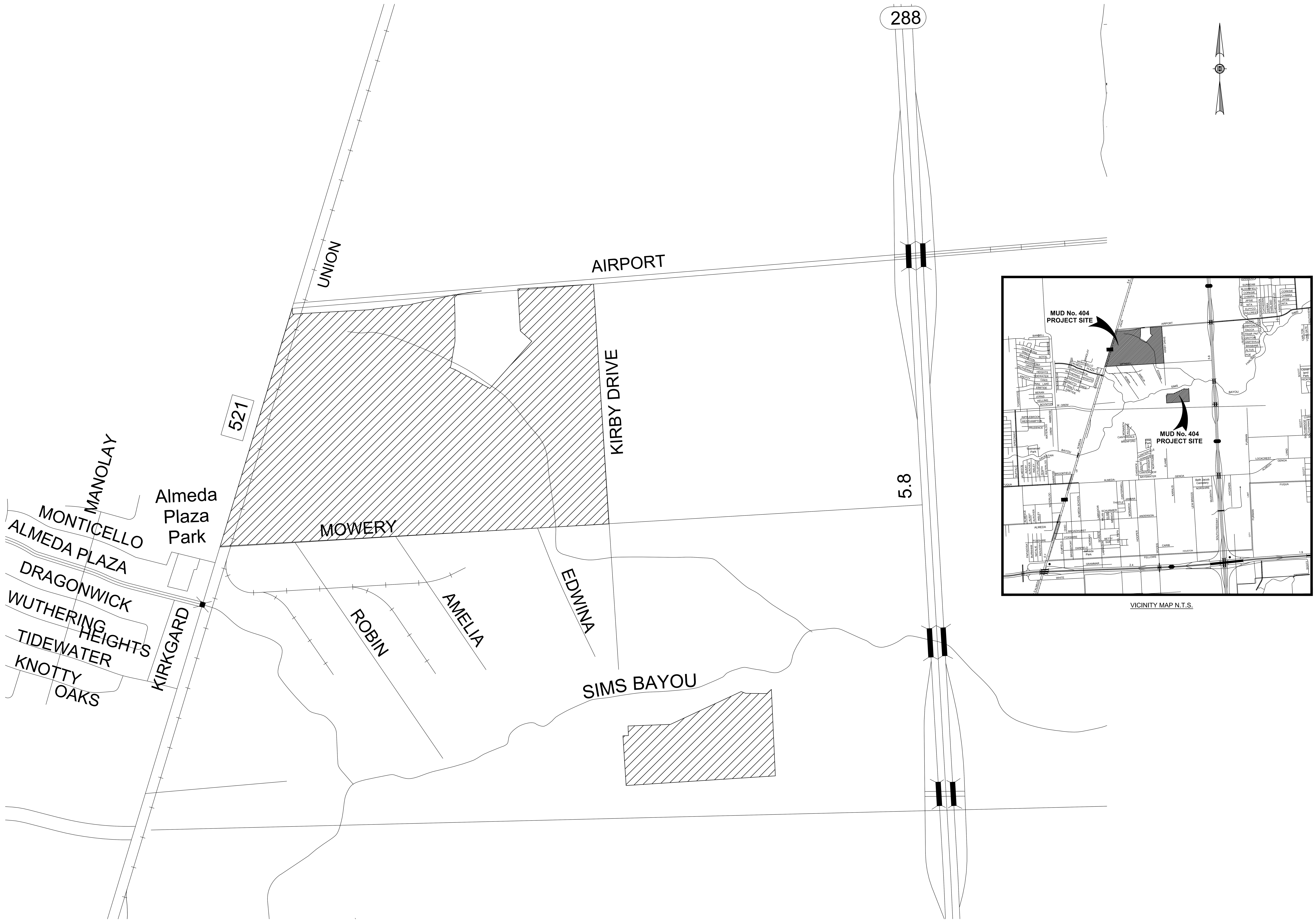
Homebuilding began within the District in 2011. In addition to the residential development, 13.546 acres have been developed as commercial acreage, comprising 84 equivalent single-family connections, including a hospice care center, a 100,000 square foot warehouse distribution facility and an office building.

Another 86.282 acres are planned for approximately 617 single-family homes in Airport Boulevard Estates Tracts A & B and Hannover Estates, as well as 15.122 acres for future commercial development.

Description of the Developers

AKR Cambridge Heights, LLC is the developer of Kirby Landing within the District. AKR Cambridge Heights has contracted with Summit Management, LLC to manage the development of the property. Associates at AKR Cambridge Heights, LLC and Summit Management, LLC have been developing property in the Houston area for more than thirty years.

Skymark Development Company is a real estate development and management company headquartered in Houston, Texas, developing the Sky View subdivision. With their affiliated partners, Skymark has actively served in numerous real estate developments for over 25 years. Skymark has sold various acreage tracts of its holdings to commercial developments.



VICINITY MAP N.T.S.

HARRIS COUNTY MUD No. 404

LOCATION MAP

BOND ISSUE No. 5 ATTACHMENT IV

HALFF

14800 ST. MARY'S LANE, SUITE 160
HOUSTON, TEXAS 77079-2943
TEL (713) 588-2450
FAX (281) 310-5259
TBPELS FIRM #312

No.	Date	Revision	Description

Project No.:
Issued:
Drawn By:
Checked By:
Scale: N.T.S.
Sheet Title
LOCATION MAP
Sheet Number

\\houfs02-ahv\hou_vol1\45000s\45507\Task 002 - Bond Issue\CADD\Bond Issue 5\102 Harris County.dwg 7/20/2021

HALFF
14800 ST. MARY'S LANE, SUITE 160
HOUSTON, TEXAS 77079-2943
TEL (713) 588-2450
FAX (281) 310-5259
TBPE FIRM NO. F-312

HARRIS COUNTY MUD No. 404

DEVELOPMENT MAP

BOND ISSUE No. 5

AVO: 45507.002

Issued: 09-23-2021

ATTACHMENT VI

SHT 1 OF 2

HALFF

14800 ST. MARY'S LANE, SUITE 160
HOUSTON, TEXAS 77079-2943
TEL (713) 588-2450
FAX (281) 310-5259
TBPE FIRM NO. F-312

HARRIS COUNTY MUD No. 404

DEVELOPMENT MAP

BONDS ISSUE No. 5

AVO: 45507.002

Issued: 09-23-2021

ATTACHMENT VI












FERGUSON


OnPoint


Exxon
FedEx

DISTRICT DEBT

Debt Statement

2023 Taxable Assessed Valuation (100% of Market Value)		$166,186,857	(a)
Direct Debt			
Outstanding Bonds (As of March 1, 2024)		$8,530,000	
The Bonds		1,240,000	
Total Direct Debt		$9,770,000	
Estimated Overlapping Debt		3,974,684	(b)
Direct and Estimated Overlapping Debt		$13,744,684	
Direct Debt Ratios:			
Direct Debt to Value		5.88%	
Direct & Estimated Overlapping Debt to Value		8.27%	
	Current	***Total***	
2022 Tax Collection Percentage	99.14%	98.98%	
Five-Year Average (2018/2022) Collection Percentage	99.58%	99.60%	
Average Annual Debt Service Requirements (2024/2052)		$576,356	
Maximum Annual Debt Service Requirements (2048)		$587,575.00	
Fund Balances as of February 12, 2024 (Cash & Investments)			
General Fund		$967,525	
Debt Service Fund		$419,743	(c)
Capital Projects Fund		$4,866	

(a) Certified by the Appraisal District. All property located in the District is valued on the tax rolls by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."
(b) See "DISTRICT DEBT--Estimated Overlapping Debt."
(c) At the time of closing, accrued interest from April 1, 2024 to the date of delivery of the Bonds shall be deposited in the Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

Jurisdiction	***Debt As Of March 1, 2024***	***Overlapping Percent***	***Overlapping Amount***
Harris County (a)(b)	$1,994,511,319	0.0253%	$504,611
Harris County Department of Education	13,865,000	0.0254%	3,508
Harris County Flood Control District	991,095,000	0.0253%	250,747
Harris County Hospital District	70,970,000	0.0253%	17,955
Houston, City of	2,930,515,000	0.0511%	1,497,493
Houston Community College	422,215,000	0.0585%	246,996
Houston Independent School District	1,905,895,000	0.0706%	1,345,562
Port of Houston Authority	426,134,397	0.0253%	107,812
Estimated Overlapping Debt			$3,974,684
The District (includes the Bonds)			9,770,000
Total Direct & Estimated Overlapping Debt			$13,744,684

(a) Includes $130,635,000 Toll Tax and Subordinate Lien Road Bonds, which have historically been paid from revenues and not taxes.
(b) Includes $285,365,000 Flood Control Contract Bonds, payable from Harris County tax funds.

Debt Service Schedule

The following sets forth the debt service requirements on the District's Outstanding Bonds and that on the Bonds. (*Note: Totals may not add due to rounding*)

Year	*Outstanding Debt Service*	*The Bonds Principal*	*The Bonds Interest*	*The Bonds Total D/S*	*Grand Total Debt Service*
2024	525,970		18,467	18,467	544,437
2025	529,920		55,400	55,400	585,320
2026	527,988		55,400	55,400	583,388
2027	525,455		55,400	55,400	580,855
2028	527,900		55,400	55,400	583,300
2029	524,381		55,400	55,400	579,781
2030	524,988		55,400	55,400	580,388
2031	524,981		55,400	55,400	580,381
2032	524,538		55,400	55,400	579,938
2033	523,738		55,400	55,400	579,138
2034	527,650		55,400	55,400	583,050
2035	525,875		55,400	55,400	581,275
2036	523,919		55,400	55,400	579,319
2037	526,563		55,400	55,400	581,963
2038	528,556		55,400	55,400	583,956
2039	524,906		55,400	55,400	580,306
2040	525,725		55,400	55,400	581,125
2041	525,931		55,400	55,400	581,331
2042	525,488		55,400	55,400	580,888
2043	529,288		55,400	55,400	584,688
2044	527,225		55,400	55,400	582,625
2045	530,775		55,400	55,400	586,175
2046	528,563		55,400	55,400	583,963
2047	530,750		55,400	55,400	586,150
2048	532,175		55,400	55,400	587,575
2049	396,250	$130,000	55,400	185,400	581,650
2050	393,300	140,000	48,575	188,575	581,875
2051	0	540,000	41,225	581,225	581,225
2052	0	430,000	18,275	448,275	448,275
	$13,962,795	$1,240,000	$1,511,542	$2,751,542	$16,714,337

Average Annual Debt Service (2024/2052)	$ 576,356
Maximum Annual Debt Service (2048)	$ 587,575

Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements, reference to which is made for further and complete information.

	Fiscal Year Ended May 31				
	2023	***2022***	***2021***	***2020***	***2019***
Revenues					
Tax Revenues	$529,112	$560,685	$503,325	$512,595	$460,845
Penalty & Interest	4,057	6,538	1,939	6,668	4,738
Interest & Other Income	19,250	12,812	12,745	24,463	21,681
Total Revenues	$552,419	$580,035	$518,009	$543,726	$487,264
Expenditures					
Bond Principal	$175,000	$170,000	$160,000	$155,000	$105,000
Bond Interest & Fees	345,787	330,258	334,055	325,191	318,568
Cost of Collections	22,497	21,600	18,183	17,309	15,993
Total Expenses	$543,284	$521,858	$512,238	$497,500	$439,561
Net Revenues	$9,135	$58,177	$5,771	$46,226	$47,703
Fund Balance, June 1	936,202	878,025	872,254	826,028	778,325
Fund Balance, May 31	$945,337	$936,202	$878,025	$872,254	$826,028
Cash & Inv, May 31	$954,044	$941,183	$882,528	$872,638	$786,341

TAX PROCEDURES

Authority To Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the District's Outstanding Bonds, the 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 Board is also authorized to levy and collect annual ad valorem taxes for the administration, operation and maintenance of the District and its properties and for the payment of certain contractual obligations other than bonds if such taxes are authorized by vote of the District's electors at an election. At an election held within the District on September 10, 2005, the voters in the District authorized the levy of a maintenance and operation tax in an amount not to exceed $1.50 per $100 of assessed valuation. For the 2023 tax year, a maintenance and operation tax of $0.43 per $100 assessed value was levied within the District.

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; however, no effort is expected to be made to levy taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; non-profit cemeteries; certain household goods, family supplies and personal effects; and certain property owned by qualified charitable, religious, veterans, youth, fraternal, or educational organizations. Goods, wares, ores, and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is exempt to between $5,000 and $12,000 depending on the disability rating of the veteran. State law further mandates a complete exemption for the residential homestead of disabled veterans determined to be 100% disabled by the U.S. Department of Veterans Affairs. Subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled such exemption on the same property to which the disabled veteran's exemption applied, including, effective January 1, 2016, the surviving spouse of a disabled veteran who would have qualified for such an exemption if such an exemption had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who 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 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.

If approved by the Board or through a process of petition and referendum by the District's voters, residence homesteads of certain persons who are disabled or at least 65 years old are exempt to the extent of $3,000 or such higher amount, as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The District currently grants a $20,000 homestead exemption to persons who are 65 years of age or older and to disabled homestead owners.

Residential Homestead Exemptions: The Board also may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the granting of the homestead exemption would impair the obligation or the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. The Board currently grants a 10% homestead exemption.

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 will be shipped out of the state within 175 days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, good in transit ("freeport goods") are exempted from taxation by the District effective January 1, 1990.

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 of 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. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has taken official action to not provide such exemptions.

Reinvestment Zone: Harris County may designate all or part of the area within the District as a reinvestment zone, and the District, the City of Houston, Harris County, Houston Community College or Houston Independent School District may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

Valuation of Property for Taxation

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, the county, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district, and of the county. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Harris County, Texas are included in the Harris Central Appraisal District (the "Appraisal District"). The Appraisal District is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

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.

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 that are higher than renditions and appraisals of property not previously on an appraisal roll.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, agriculture and hunting or recreational leases. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The chief appraiser must give written notice to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board of the District based upon the valuation of property within the District as of the preceding January 1 and based upon the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

The District is responsible for the levy and collection of its taxes and will continue to do so unless the Board or the qualified voters of the District at an election held for such purpose determines to transfer such functions to one of the Appraisal Districts or another taxing unit.

Collection

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 years of age is entitled by law to pay current taxes on his residence homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residence homestead. The date of the delinquency of a tax bill may be postponed if the tax bill is mailed after January 10. Delinquent taxes are subject to a six percent (6%) penalty for the first month of delinquency, one percent (1%) for each month thereafter to June 30 and twelve percent (12%) total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of one percent (1%) per month during the period they remain outstanding. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes, penalty and interest unpaid on July 1.

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. The District has a statutory lien for unpaid taxes on real property against which the taxes are assessed. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by effects of the foreclosure sale price attributable to market conditions, by taxpayer redemption rights, or by bankruptcy proceedings which restrain the collection of a taxpayer's debts.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Debt service tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2023 tax year, the Board of Directors of the District determined the District's status to be that of 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.

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 the State and 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. 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 years for residential and agricultural property and six 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.

Reappraisal of Property

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

Tax Payment Installments after Disaster

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

TAX DATA

General

All 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, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be 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 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 and interest on the Bonds when due. 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.

Tax Collection History

The following table indicates the collection history for taxes assessed by the District:

Tax Year	*Taxable Valuation*	*D/S Tax Rate*	*M&O Tax Rate*	*Total Tax Rate*	*Tax Levy*	*Percent Current*	*Percent Total*	*Yr End Aug 31*
2010	$6,060,262	$0.00000	$0.86125	$0.86125	$52,193	97.37%	97.37%	2011
2011	7,035,383	0.00000	0.86125	0.86125	60,592	97.63%	97.99%	2012
2012	7,279,425	0.00000	0.86125	0.86125	62,694	98.15%	98.60%	2013
2013	14,217,320	0.00000	0.86125	0.86125	122,447	97.73%	97.73%	2014
2014	28,228,690	0.47500	0.38625	0.86125	245,879	98.41%	98.60%	2015
2015	45,130,076	0.59000	0.27125	0.86125	389,573	92.62%	93.16%	2016
2016	69,150,322	0.53500	0.32625	0.86125	595,510	99.59%	104.70%	2017
2017	81,035,501	0.56000	0.30125	0.86125	700,328	99.78%	100.40%	2018
2018	96,441,320	0.50000	0.36125	0.86125	822,195	99.99%	99.89%	2019
2019	99,787,308	0.49700	0.36425	0.86125	862,424	99.46%	99.46%	2020
2020	101,326,000	0.50000	0.36125	0.86125	872,229	99.81%	99.81%	2021
2021	117,030,950	0.47500	0.38625	0.86125	1,014,327	99.50%	99.86%	2022
2022	144,978,179	0.36500	0.42500	0.79000	1,145,328	99.14%	98.98%	2023
2023	166,186,857	0.34500	0.43000	0.77500	1,285,701	6.14%	6.33%	2024(a)

(a) Collections through 1/31/2024 only.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2023 Taxable Value ($166,186,857). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds	$576,356
Tax Rate of $0.354 on the 2023 Taxable Value produces	$576,535
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds	$587,575
Tax Rate of $0.361 on the 2023 Taxable Value produces	$587,936

Principal Taxpayers

Name of Taxpayer	*Type of Property*	*2023 Taxable Ass'd Value*	*% of Total*	*2022 Taxable Ass'd Value*	*% of Total*
Ferguson Enterprises Inc	Warehouse	$29,544,063	17.81%	$31,398,412	21.66%
Harbor Hospice Land Investors	Hospice Center	5,869,078	3.54%	4,400,000	3.73%
Sunlake Ltd	Acreage	4,735,755	2.85%	17,890,149	1.52%
Indus Asset Management LLC	Commercial	4,250,854	2.56%	3,475,000	2.95%
Arfeen Properties LP	Office Building	4,041,544	2.44%	3,850,000	3.27%
K Hovnanian of Houston II LLC	Lots	2,978,991	1.80%	2,535,353	2.15%
Headway Estates Ltd	Acreage	2,013,545	1.21%	(a)	
Airport Kirby Investment LLC	Store	1,800,000	1.09%	1,296,638	1.10%
Hanover Estates LTD	Acreage	1,743,192	1.05%	1,156,262	0.98%
Skymark Development Co (b)	Acreage	1,674,345	1.01%	1,116,230	0.95%
Automotive Rentals Inc	Vehicles	(a)		1,105,128	0.94%
Totals		$58,651,367	35.35%	$52,122,042	44.23%

(a) Not among the top ten in this year.
(b) See "DEVELOPMENT OF THE DISTRICT–Description of the Developers."

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The 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, 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.

Taxing Entities	***2023 Tax Rates Per $100 A/V***
Harris County	$0.350070
Harris County Department of Education	0.004800
Harris County Flood Control District	0.031050
Harris County Hospital District	0.143430
Houston, City of	0.519190
Houston Community College	0.092231
Houston Independent School District	0.868300
Port of Houston Authority	0.005740
Overlapping Taxes	$2.014811
The District	0.775000
Total Direct & Overlapping Taxes	$2.789811

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	2023 Amount	*2023 %'s*	*2022 Amount*	*2022 %'s*
Land	$37,506,162	21.32%	$24,798,327	16.80%
Improvements	118,233,354	67.22%	100,148,692	67.84%
Personal Property	20,153,438	11.46%	22,668,195	15.36%
Subtotal	$175,892,954		$147,615,214	
Less Exemptions	(9,996,084)		(2,637,035)	
Total Taxable Value	$165,896,870		$144,978,179	

	2021 Amount	*2021 %'s*	*2020 Amount*	*2020 %'s*
Land	$22,743,441	19.06%	$17,125,458	16.60%
Improvements	79,408,854	66.54%	71,765,088	69.58%
Personal Property	17,181,525	14.40%	14,244,953	13.81%
Subtotal	$119,333,820		$103,135,499	
Less Exemptions	(2,302,870)		(1,809,499)	
Total Taxable Value	$117,030,950		$101,362,000	

Note: Values shown above may reflect original certified amounts and may differ from those shown elsewhere herein.

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities serving land within the District have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, Harris County Engineering Department, Harris County Flood Control District and the City. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies.

Operation of the District's System is provided by the City and is subject to regulation by, among others, the United States 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 revision.

Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development of approximately 221.8098 acres located in the District is 1,306 equivalent connections. A description of the primary components of the System follows and is based upon information supplied by the Engineer based on drawings and data furnished by others.

Except for land designated for public use, rights-of-way and easements, there is no land within the District not considered as developable.

-Water System-

The District entered into a Utility Agreement (hereinafter defined) with the City, effective April 10, 2007. Under the Utility Agreement, the City agrees to provide the District with its ultimate requirements for water system capacity (which includes water supply and water distribution line capacities) in order to serve customers within the District's boundaries. The estimated ultimate usage was for 1,352 equivalent single-family residential connections, subject to payment of water impact fees of the City. See "UTILITY FUNCTION AND SERVICE ALLOCATION AGREEMENT WITH THE CITY OF HOUSTON" herein.

-Wastewater System-

Pursuant to the Utility Agreement, the City agrees to provide the District with its ultimate requirements for wastewater system capacity (which includes wastewater treatment and wastewater trunk collection capacities) in order to serve customers within the District's boundaries. The estimated ultimate usage is for 1,352 equivalent single-family residential connections, subject to payment of wastewater impact fees of the City.

- Stormwater Drainage -

All developed areas within the District have underground storm sewers that flow to an open channel drainage system which eventually discharge into Sims Bayou. The Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Maps (FIRM Panel 48201C0870M) dated May 2, 2019, shows that the Sims Bayou floodplain affects no portions of developed areas. There are currently no lots located within the official floodplain.

UTILITY FUNCTION AND SERVICE ALLOCATION AGREEMENT WITH THE CITY OF HOUSTON

The District operates pursuant to a Utility Functions and Services Allocation Agreement between the City and the District (the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to, the City, the water distribution, wastewater collection and certain drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges to other residents within the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District is authorized to issue bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds and such order must provide that under the TCEQ's rules governing the issuance of bonds it is feasible to sell the bonds. The Utility Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The Utility Agreement also provides for certain rebates to the District by the City will be made from time to time. Such rebates are established by formulas included in the Utility Agreement and are generally included to avoid double taxation to the District residents for water, sewer, and drainage facilities that serve the land within the District and to compensate the District for certain capital costs that the District has incurred in order to pay for water and sewer facilities in the District to extend these facilities to the City's previously existing water and sewer facilities.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement the City agrees that it will not dissolve the District until ninety percent of the District's Facilities have been developed and the developers advancing funds to construct the Facilities have been reimbursed.

Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the eight-month statement ended January 31, 2024) reference to which is made for further and complete information.

	6/1/2023 to			*Fiscal Year Ended May 31,*		
	1/31/24(a)	***2023***	***2022***	***2021***	***2020***	***2019***
Revenues						
Property Taxes	$47,064	$614,077	$455,330	$361,131	$374,674	$330,830
Other	38,319	16,588	436	557	4,430	3,632
Total Revenues	$85,383	$630,665	$455,766	$361,688	$379,104	$334,462
Expenses						
Professional Fees	$69,686	$71,700	$74,201	$63,648	$69,475	$68,642
Contracted Services	67,866	109,849	94,547	92,554	78,529	8,960
Repair & Maintenance	110,931	153,662	129,928	81,602	34,994	43,944
Administrative	42,135	16,709	16,327	18,639	17,485	15,837
Other	55	975	600	120	120	120
Total Expenditures	$290,674	$352,895	$315,603	$256,563	$200,603	$137,503
Net Revenue	($290,674)	$277,770	$140,163	$105,125	$178,501	$196,959
Fund Balance, June 1		963,686	823,523	791,856	613,355	341,671
Capital Outlay		0	0	(73,458)	0	0
Trans from Construction		0	0	0	0	74,725
Fund Balance, May 31		1,241,456	963,686	823,523	791,856	613,355
Cash/Inv., May 31		$1,245,54	$961,768	$825,134	$801,889	$600,466
Cash as % of Expense		352.95%	304.74%	321.61%	399.74%	436.69%

(a) Unaudited; extracted from bookkeeper report.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Harris County, Texas, or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

Principal Landowners' Obligations to the District: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the ten principal taxpayers in 2023 owned property located in the District in the aggregate assessed valuation of $58,651,367, which comprised approximately 35.35% of the District's total assessed valuation. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meets its debt service requirements. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Dependence on Personal Property Taxes; Personal Property Tax Collections: Approximately 11.46% of the District's 2023 taxable value is personal property. See "TAX DATA – Analysis of Tax Base." Most other utility districts in Texas are not dependent to such an extent on taxes levied on personal property. The District's ability to collect personal property taxes may create special risks for Bondholders. See "TAX PROCEDURES."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Automobiles and other personal property are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year. If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient, and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See “TAX PROCEDURES.

Maximum Impact on District Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2023 Taxable Valuation is $165,896,870. See “TAX DATA.” After issuance of the Bonds, the maximum annual debt service requirement (2048) is $587,575 and the average annual debt service requirements (2024/2052) is $576,356. Assuming no increase or decrease from the 2023 Taxable Valuation and no use of funds other than tax collections, tax rates of $0.361 and $0.354 per $100 assessed valuation at a 98% collection rate against the 2023 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board levied a tax rate of $0.345 for debt service purposes and a tax rate of $0.430 for maintenance and operation purposes for 2023. See "DISTRICT DEBT–Pro Forma Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

Extreme Weather Events

The greater Houston area, 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 greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., a “500-year flood” event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Inframark (the “Operator”), there was an interruption of water and sewer service as a result of Hurricane Harvey. Further, to the best knowledge of the District, 95 homes and four commercial tracts within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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.

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

Specific Flood Type Risks

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

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

Harris County Floodplain Regulations

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

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

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

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District's tax rate and the overlapping taxing entities' tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District's tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See "DISTRICT DEBT--Estimated Overlapping Debt" and "TAX DATA--Estimated Overlapping Taxes."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. 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. 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 property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's 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 subdivisions.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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.

The District may not be placed into bankruptcy involuntarily.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue additional park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. As the District issues park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District unless effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. Voters in the District authorized $4,000,000 of park bonds at an election held May 11, 2013.

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

Tax Exemption for Property Damaged by Disaster

The Texas 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. See "TAX PROCEDURES – Reappraisal of Property."

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with all general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX EXEMPTION". Such opinions will express no opinions with respect to the sufficiency and security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Sanford Kuhl Hagan Kugle Parker Kahn LLP also acts as general counsel to the District on matters other than the issuance of bonds.

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

Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the captioned sections: "THE BONDS" (except for the subsections "–Book-Entry-Only System" and "Bankruptcy Limitations to Registered Owners' Rights"), "TAX PROCEDURES," "LEGAL MATTERS–Legal Opinions," "LEGAL MATTERS–Legal Review," "TAX EXEMPTION" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance With Prior Undertakings"), solely to determine whether such information fairly summarizes matters of law with respect to 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 of the information contained herein, other than the matters discussed immediately above.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, 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 of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

TAX EXEMPTION

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 based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; and by 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.

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

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

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

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

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

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

Future and Proposed Legislation

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

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of the 2052 Term Bond (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated: (a) the difference between: (i) the stated amount payable at the maturity of each Original Issue Discount Bond; and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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

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

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

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

Tax Accounting Treatment of Original Issue Premium Bonds

The 2050 Term Bonds are offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, broker, and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the "Premium Bond") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are "financial institutions" within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issue may be designated as "qualified tax-exempt obligations" only where the amount of such issue, when added to all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District will, pursuant to the Bond Order, designate the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent (100%) disallowance of interest expense allocable to interest on the Bonds under Section 265(b) of the Code. However, 20 percent (20%) of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds would not be deductible pursuant to Section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The District, in the Bond Order, 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 certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board ("MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The financial information and operating data which will be provided is found in the annual audit report, within six months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten (10) business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The 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 information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District; and the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this subcaption to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendment to the Rule effected by the 2018 Release.

Availability of Information From EMMA

Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The District has agreed in the Bond Order to provide the foregoing information only to the MSRB through EMMA. The information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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 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 so provided. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

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.

PREPARATION OF OFFICIAL STATEMENT

General

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

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such 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 historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in “APPENDIX A–Financial Statements of the District” have been included in reliance upon the accompanying report of the District’s Auditor.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Harris County Municipal Utility District No. 404 as of the date specified on the first page hereof.

/s/ Xochytl Greer
President, Board of Directors
Harris County Municipal
Utility District No. 404

ATTEST:
Jimmy Hoagland
/s/ Secretary, Board of Directors
Harris County Municipal
Utility District No. 404

APPENDIX A–Financial Statements of the District

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 404

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2023

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McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 404
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 404 (the "District"), as of and for the year ended May 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 Harris County Municipal Utility District No. 404, as of May 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PLLC

Houston, Texas
September 7, 2023

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 404 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at May 31, 2023, was negative $3,222,772. The District's net position is negative because the District incurs debt to construct water, sewer, and certain drainage facilities which it conveys to the City of Houston. A comparative summary of the District's overall financial position, as of May 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	$ 2,224,789	$ 1,934,696
Capital assets	4,501,664	3,714,859
Total assets	6,726,453	5,649,555
Current liabilities	314,740	304,294
Long-term liabilities	9,634,485	8,953,600
Total liabilities	9,949,225	9,257,894
Net position		
Net investment in capital assets	(900,805)	(853,863)
Restricted	837,662	832,080
Unrestricted	(3,159,629)	(3,586,556)
Total net position	$ (3,222,772)	$ (3,608,339)

The total net position of the District increased during the current fiscal year by $385,567. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2023	2022
Revenues		
Property taxes, penalties and interest	$ 1,148,968	$ 1,017,417
Other	35,838	13,248
Total revenues	1,184,806	1,030,665
Expenses		
Operating and administrative	375,752	360,614
Debt interest and fees	354,204	336,876
Developer interest		49,595
Debt issuance costs		129,962
Depreciation and amortization	69,283	57,613
Total expenses	799,239	934,660
Change in net position before other items	385,567	96,005
Other items		
Transfers to other governments		(14,388)
Change in net position	385,567	81,617
Net position, beginning of year	(3,608,339)	(3,689,956)
Net position, end of year	$ (3,222,772)	$ (3,608,339)

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2023, were $2,191,651, which consists of $1,241,456 in the General Fund, $945,337 in the Debt Service Fund, and $4,858 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	$ 1,266,053	$ 982,854
Total liabilities	$ 18,524	$ 14,750
Total deferred inflows	6,073	4,418
Total fund balance	1,241,456	963,686
Total liabilities, deferred inflows and fund balance	$ 1,266,053	$ 982,854

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

	2023	2022
Total revenues	$ 630,665	$ 455,766
Total expenditures	(352,895)	(315,603)
Revenues over expenditures	$ 277,770	$ 140,163

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	$ 953,878	$ 945,624
Total liabilities	$ 1,659	$ 2,607
Total deferred inflows	6,882	6,815
Total fund balance	945,337	936,202
Total liabilities, deferred inflows and fund balance	$ 953,878	$ 945,624

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

	2023	2022
Total revenues	$ 552,419	$ 580,035
Total expenditures	(543,284)	(521,858)
Revenues over expenditures	$ 9,135	$ 58,177

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Houston tax rebates. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of May 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	$ 4,858	$ 6,218
Total liabilities	$ -	$ 1,000
Total fund balance	4,858	5,218
Total liabilities and fund balance	$ 4,858	$ 6,218

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

	2023	2022
Total revenues	$ -	$ -
Total expenditures	(360)	(744,833)
Revenues under expenditures	(360)	(744,833)
Other changes in fund balance		750,000
Net change in fund balance	$ (360)	$ 5,167

The District did not have any significant capital asset activity in the current year. During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $99,230 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at May 31, 2023 and 2022 are summarized as follows:

	2023	2022
Capital assets not being depreciated		
Land and improvements	$ 2,707,374	$ 2,376,450
Capital assets being depreciated/amortized		
Drainage facilities	525,164	
Landscaping improvements	750,405	750,405
Impact fees	726,505	726,505
	2,002,074	1,476,910
Less accumulated depreciation/amortization		
Drainage facilities	(11,670)	
Landscaping improvements	(112,560)	(75,040)
Impact fees	(83,554)	(63,461)
	(207,784)	(138,501)
Depreciable capital assets, net	1,794,290	1,338,409
Capital assets, net	$ 4,501,664	$ 3,714,859

Capital asset additions during the current year include the Sky View detention basin and storm sewer.

The District and the City of Houston (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. Detention facilities and certain other capital assets are retained by the District. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of May 31, 2023, the District owes approximately $1,211,349 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At May 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2014	$ 1,555,000	$ 1,590,000
2016	2,985,000	3,070,000
2017	2,495,000	2,540,000
2019 Park	925,000	935,000
2022	750,000	750,000
	$ 8,710,000	$ 8,885,000

At May 31, 2023, the District had $42,345,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; and $3,055,000 for parks and recreational facilities.

Next Year's Budget

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

	2023 Actual	2024 Budget
Total revenues	$ 630,665	$ 585,450
Total expenditures	(352,895)	(361,814)
Revenues over expenditures	277,770	223,636
Beginning fund balance	963,686	1,241,456
Ending fund balance	$ 1,241,456	$ 1,465,092

Property Taxes

The District's property tax base increased approximately $8,019,000 for the 2023 tax year from $144,897,303 to $152,916,771, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

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Basic Financial Statements

Harris County Municipal Utility District No. 404
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 43,386	$ 954,044	$ 4,858	$ 1,002,288	$ -	$ 1,002,288
Investments	1,202,154			1,202,154		1,202,154
Taxes receivable	6,073	6,882		12,955		12,955
Internal balances	7,048	(7,048)				
Prepaid items	7,392			7,392		7,392
Capital assets not being depreciated					2,707,374	2,707,374
Capital assets, net					1,794,290	1,794,290
Total Assets	$ 1,266,053	$ 953,878	$ 4,858	$ 2,224,789	4,501,664	6,726,453
Liabilities						
Accounts payable	$ 18,524	$ -	$ -	$ 18,524		18,524
Other payables		1,659		1,659		1,659
Accrued interest payable					114,557	114,557
Due to developers					1,211,349	1,211,349
Long-term debt						
Due within one year					180,000	180,000
Due after one year					8,423,136	8,423,136
Total Liabilities	18,524	1,659		20,183	9,929,042	9,949,225
Deferred Inflows of Resources						
Deferred property taxes	6,073	6,882		12,955	(12,955)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	7,392			7,392	(7,392)	
Restricted		945,337	4,858	950,195	(950,195)	
Unassigned	1,234,064			1,234,064	(1,234,064)	
Total Fund Balances	1,241,456	945,337	4,858	2,191,651	(2,191,651)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,266,053	$ 953,878	$ 4,858	$ 2,224,789		
Net Position						
Net investment in capital assets					(900,805)	(900,805)
Restricted for debt service					837,662	837,662
Unrestricted					(3,159,629)	(3,159,629)
Total Net Position					$ (3,222,772)	$ (3,222,772)

See notes to basic financial statements.

Harris County Municipal Utility District No. 404
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 614,077	$ 529,112	$ -	$ 1,143,189	$ 1,485	$ 1,144,674
Penalties and interest		4,057		4,057	237	4,294
City of Houston tax rebates		13,571		13,571		13,571
Investment earnings	16,588	5,679		22,267		22,267
Total Revenues	630,665	552,419		1,183,084	1,722	1,184,806
Expenditures/Expenses						
Operating and administrative						
Professional fees	71,700			71,700		71,700
Contracted services	109,849	17,101		126,950		126,950
Repairs and maintenance	153,662			153,662		153,662
Administrative	16,709	3,655		20,364		20,364
Other	975	1,741	360	3,076		3,076
Debt service						
Principal		175,000		175,000	(175,000)	
Interest and fees		345,787		345,787	8,417	354,204
Depreciation and amortization					69,283	69,283
Total Expenditures/Expenses	352,895	543,284	360	896,539	(97,300)	799,239
Revenues Over/(Under) Expenditures	277,770	9,135	(360)	286,545	(286,545)	
Change in Net Position					385,567	385,567
Fund Balance/Net Position						
Beginning of the year	963,686	936,202	5,218	1,905,106	(5,513,445)	(3,608,339)
End of the year	$ 1,241,456	$ 945,337	$ 4,858	$ 2,191,651	$ (5,414,423)	$ (3,222,772)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 404 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to an order of the Texas Commission on Environmental Quality, dated January 10, 2005, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 29, 2005 and the first bonds were issued on July 9, 2014.

The District's primary activities include construction of water, sewer, and drainage facilities. As further discussed in Note 9, the District transfers these facilities (with the exception of certain drainage facilities) to the City of Houston for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At May 31, 2023, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of landscaping improvements are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Drainage facilities	45 years
Landscaping improvements	20 years
Impact fees	Remaining life of contract

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds		$ 2,191,651
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Historical cost	$ 4,709,448	
Less accumulated depreciation/amortization	(207,784)	
Change due to capital assets		4,501,664
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(1,211,349)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(8,603,136)	
Interest payable on bonds	(114,557)	
Change due to long-term debt		(8,717,693)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	11,362	
Penalty and interest receivable	1,593	
Change due to property taxes		12,955
Total net position - governmental activities		$ (3,222,772)

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

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

Net change in fund balances - total governmental funds			$	286,545
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.				1,722
In the *Statement of Activities*, the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.				(69,283)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.				
Principal payments	$	175,000		
Interest expense accrual		(8,417)		
				166,583
Change in net position of governmental activities			$	385,567

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of May 31, 2023, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 1,202,154	AAAm	22 days

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Note 3 – Deposits and Investments (continued)

TexPool (continued)

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at May 31, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 6,198	Maintenance tax collections not remitted as of year end
General Fund	Debt Service Fund	850	Arbitrage study fees paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 2,376,450	$ 330,924	$ 2,707,374
Capital assets being depreciated/amortized			
Drainage facilities		525,164	525,164
Landscaping improvements	750,405		750,405
Impact fees	726,505		726,505
	1,476,910	525,164	2,002,074
Less accumulated depreciation/amortization			
Drainage facilities		(11,670)	(11,670)
Landscaping improvements	(75,040)	(37,520)	(112,560)
Impact fees	(63,461)	(20,093)	(83,554)
	(138,501)	(69,283)	(207,784)
Subtotal depreciable capital assets, net	1,338,409	455,881	1,794,290
Capital assets, net	$ 3,714,859	$ 786,805	$ 4,501,664

Depreciation/amortization expense for the current year was $69,283.

Note 6 – Due to Developers

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

The District's developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	$ 355,261
Developer funded construction	856,088
Due to developers, end of year	$ 1,211,349

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$	8,710,000
Unamortized discounts		(106,864)
	$	8,603,136
Due within one year	$	180,000

The District's bonds payable at May 31, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	$ 1,555,000	$ 1,740,000	3.00% - 5.00%	August 1, 2017 - 2043	August 1, February 1	August 1, 2022
2016	2,985,000	3,385,000	2.50% - 4.375%	August 1, 2018 - 2045	August 1, February 1	August 1, 2023
2017	2,495,000	2,680,000	2.00% - 4.00%	August 1, 2019 - 2047	August 1, February 1	August 1, 2024
2019	925,000	945,000	3.00% - 7.00%	August 1, 2021 - 2048	August 1, February 1	August 1, 2026
Park 2022	750,000	750,000	3.50%	August 1, 2049 - 2050	August 1, February 1	August 1, 2029
	$ 8,710,000					

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

At May 31, 2023, the District had authorized but unissued bonds in the amount of $42,345,000 for water, sewer and drainage facilities and $3,055,000 for park and recreational facilities

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

Bonds payable, beginning of year	$	8,885,000
Bonds retired		(175,000)
Bonds payable, end of year	$	8,710,000

Note 7 – Long-Term Debt (continued)

As of May 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	$ 180,000	$ 343,765	$ 523,765
2025	185,000	337,945	522,945
2026	195,000	331,453	526,453
2027	200,000	324,221	524,221
2028	205,000	316,677	521,677
2029	215,000	308,640	523,640
2030	220,000	299,685	519,685
2031	230,000	289,984	519,984
2032	240,000	279,760	519,760
2033	250,000	269,137	519,137
2034	260,000	258,194	518,194
2035	275,000	246,763	521,763
2036	285,000	234,897	519,897
2037	295,000	222,740	517,740
2038	310,000	210,059	520,059
2039	325,000	196,732	521,732
2040	335,000	182,816	517,816
2041	350,000	168,329	518,329
2042	365,000	153,210	518,210
2043	380,000	137,388	517,388
2044	400,000	120,756	520,756
2045	415,000	104,000	519,000
2046	435,000	87,169	522,169
2047	450,000	69,656	519,656
2048	470,000	51,463	521,463
2049	490,000	34,213	524,213
2050	370,000	19,775	389,775
2051	380,000	6,650	386,650
	$ 8,710,000	$ 5,606,077	$ 14,316,077

Note 8 – Property Taxes

On September 10, 2005, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. On May 11, 2013, the voters of the District authorized the District's Board of Directors to levy a maintenance tax for parks and recreational facilities limited to $0.10 pe $100 of assessed value. The District has not levied a maintenance tax for parks and recreation facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 8 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of $0.79 per $100 of assessed value, of which $0.425 was allocated to maintenance and operations and $0.365 was allocated to debt service. The resulting tax levy was $1,144,689 on the adjusted taxable value of $144,897,303.

Note 9 – Utility Agreement with the City of Houston

The District entered into a utility agreement (the "Agreement") with the City of Houston (the "City"), effective April 10, 2007, for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District.

The City will provide the District with its requirements for water and wastewater system capacity to serve an estimated 1,352 equivalent single-family connections subject to the payment of water and wastewater impact fees by the District.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

The City is obligated to pay certain tax rebates to the District, established by formulas in the Agreement, to compensate the District for certain capital costs that the District has incurred for construction and extension of the facilities. During the current year, the District recognized $13,571 in revenue from tax rebates from the City.

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

Harris County Municipal Utility District No. 404
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	$ 432,245	$ 550,000	$ 614,077	$ 64,077
Investment earnings	150	150	16,588	16,438
Total Revenues	432,395	550,150	630,665	80,515
Expenditures				
Operating and administrative				
Professional fees	81,500	81,500	71,700	9,800
Contracted services	94,000	114,000	109,849	4,151
Repairs and maintenance	153,000	153,000	153,662	(662)
Administrative	22,110	22,110	16,709	5,401
Other	1,000	1,000	975	25
Total Expenditures	351,610	371,610	352,895	18,715
Revenues Over Expenditures	80,785	178,540	277,770	99,230
Fund Balance				
Beginning of the year	963,686	963,686	963,686	
End of the year	$ 1,044,471	$ 1,142,226	$ 1,241,456	$ 99,230

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Harris County Municipal Utility District No. 404
TSI-1. Services and Rates
May 31, 2023

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

- [ ] Retail Water
- [ ] Wholesale Water
- [ ] Solid Waste/Garbage
- [ ] Drainage
- [ ] Retail Wastewater
- [ ] Wholesale Wastewater
- [ ] Flood Control
- [ ] Irrigation
- [X] Parks / Recreation
- [ ] Fire Protection
- [ ] Roads
- [X] Security
- [ ] Participates in joint venture, regional system and/or wastewater service
- [X] Other (Specify): Water and sewer services are provided by the City of Houston

2. Retail Service Providers N/A

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:					to
Wastewater:					to
Surcharge:					to

District employs winter averaging for wastewater usage? [ ] Yes [ ] No

Total charges per 10,000 gallons usage: Water ______ Wastewater ______

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

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

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

If yes, Date of the most recent commission Order: ____________

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

If yes, Date of the most recent commission Order: ____________

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

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

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

City(ies) in which the District is located: City of Houston

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

Entirely [ ] Partly [ ] Not at all [X]

ETJs in which the District is located: ____________

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

If Yes, by whom? ____________

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-2 General Fund Expenditures
For the Year Ended May 31, 2023

Professional fees		
Legal	$	41,494
Audit		12,000
Engineering		18,206
		71,700
Contracted services		
Bookkeeping		10,116
Security patrol		99,733
		109,849
Repairs and maintenance		153,662
Administrative		
Directors fees		8,862
Insurance		4,201
Other		3,646
		16,709
Other		975
Total expenditures	$	352,895

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-3. Investments
May 31, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 1,202,154

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-4. Taxes Levied and Receivable
May 31, 2023

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 4,418	$ 5,459	$ 9,877
Adjustments	(320)	(418)	(738)
Adjusted Receivable	4,098	5,041	9,139
2022 Original Tax Levy	532,013	456,905	988,918
Adjustments	83,801	71,970	155,771
Adjusted Tax Levy	615,814	528,875	1,144,689
Total to be accounted for	619,912	533,916	1,153,828
Tax collections:			
Current year	609,873	523,774	1,133,647
Prior years	3,966	4,853	8,819
Total Collections	613,839	528,627	1,142,466
Taxes Receivable, End of Year	$ 6,073	$ 5,289	$ 11,362
Taxes Receivable, By Years			
2022	$ 5,941	$ 5,101	$ 11,042
2021	51	63	114
2020	28	38	66
2019 and prior	53	87	140
Taxes Receivable, End of Year	$ 6,073	$ 5,289	$ 11,362

	2022	2021	2020	2019
Property Valuations:				
Land	$ 24,798,327	$ 22,743,441	$ 17,125,458	$ 13,127,947
Improvements	100,159,270	80,164,480	71,765,088	73,254,600
Personal Property	22,576,741	17,152,292	14,244,953	15,056,218
Exemptions	(2,637,035)	(2,302,870)	(1,809,499)	(1,651,457)
Total Property Valuations	$ 144,897,303	$ 117,757,343	$ 101,326,000	$ 99,787,308
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.425	$ 0.38625	$ 0.36125	$ 0.36425
Debt service tax rates	0.365	0.47500	0.50000	0.49700
	$ 0.790	$ 0.86125	$ 0.86125	$ 0.86125
Adjusted Tax Levy:	$ 1,144,689	$ 1,014,185	$ 872,670	$ 859,418
Percentage of Taxes Collected to Taxes Levied **	99.04%	99.99%	99.99%	99.99%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on September 10, 2005
* Maximum Park Maintenance Tax Rate Approved by Voters: $0.10 on May 11, 2013
** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
May 31, 2023

Due During Fiscal Years Ending	Principal Due August 1	Interest Due August 1, February 1	Total
2024	$ 40,000	$ 72,675	$ 112,675
2025	40,000	71,385	111,385
2026	45,000	69,905	114,905
2027	45,000	68,229	113,229
2028	50,000	66,362	116,362
2029	50,000	64,300	114,300
2030	55,000	62,069	117,069
2031	60,000	59,550	119,550
2032	60,000	56,850	116,850
2033	65,000	53,875	118,875
2034	70,000	50,500	120,500
2035	75,000	46,875	121,875
2036	80,000	43,000	123,000
2037	80,000	39,000	119,000
2038	90,000	34,750	124,750
2039	95,000	30,125	125,125
2040	100,000	25,250	125,250
2041	105,000	20,125	125,125
2042	110,000	14,750	124,750
2043	115,000	9,125	124,125
2044	125,000	3,125	128,125
	$ 1,555,000	$ 961,825	$ 2,516,825

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
May 31, 2023

Due During Fiscal Years Ending	Principal Due August 1	Interest Due August 1, February 1	Total
2024	$ 80,000	$ 115,937	$ 195,937
2025	85,000	113,420	198,420
2026	85,000	110,721	195,721
2027	90,000	107,765	197,765
2028	90,000	104,570	194,570
2029	95,000	101,228	196,228
2030	95,000	97,428	192,428
2031	95,000	93,272	188,272
2032	105,000	88,897	193,897
2033	105,000	84,500	189,500
2034	110,000	80,200	190,200
2035	110,000	75,800	185,800
2036	115,000	71,300	186,300
2037	125,000	66,500	191,500
2038	125,000	61,500	186,500
2039	130,000	56,400	186,400
2040	135,000	51,100	186,100
2041	140,000	45,600	185,600
2042	150,000	39,800	189,800
2043	155,000	33,700	188,700
2044	160,000	27,400	187,400
2045	295,000	18,300	313,300
2046	310,000	6,200	316,200
	$ 2,985,000	$ 1,651,538	$ 4,636,538

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
May 31, 2023

Due During Fiscal Years Ending	Principal Due August 1	Interest Due August 1, February 1	Total
2024	$ 50,000	$ 95,478	$ 145,478
2025	50,000	94,165	144,165
2026	50,000	92,727	142,727
2027	50,000	91,177	141,177
2028	55,000	89,470	144,470
2029	55,000	87,462	142,462
2030	60,000	85,163	145,163
2031	60,000	82,762	142,762
2032	60,000	80,363	140,363
2033	65,000	77,862	142,862
2034	65,000	75,344	140,344
2035	70,000	72,813	142,813
2036	75,000	70,047	145,047
2037	75,000	67,140	142,140
2038	75,000	64,234	139,234
2039	80,000	61,232	141,232
2040	85,000	58,035	143,035
2041	85,000	54,741	139,741
2042	85,000	51,447	136,447
2043	90,000	48,000	138,000
2044	90,000	44,400	134,400
2045	100,000	40,600	140,600
2046	100,000	36,600	136,600
2047	425,000	26,100	451,100
2048	440,000	8,800	448,800
	$ 2,495,000	$ 1,656,162	$ 4,151,162

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-5. Long-Term Debt Service Requirements
Series 2019 Park--by Years
May 31, 2023

Due During Fiscal Years Ending	Principal Due August 1	Interest Due August 1, February 1	Total
2024	$ 10,000	$ 33,425	$ 43,425
2025	10,000	32,725	42,725
2026	15,000	31,850	46,850
2027	15,000	30,800	45,800
2028	10,000	30,025	40,025
2029	15,000	29,400	44,400
2030	10,000	28,775	38,775
2031	15,000	28,150	43,150
2032	15,000	27,400	42,400
2033	15,000	26,650	41,650
2034	15,000	25,900	40,900
2035	20,000	25,025	45,025
2036	15,000	24,300	39,300
2037	15,000	23,850	38,850
2038	20,000	23,325	43,325
2039	20,000	22,725	42,725
2040	15,000	22,181	37,181
2041	20,000	21,613	41,613
2042	20,000	20,963	40,963
2043	20,000	20,313	40,313
2044	25,000	19,581	44,581
2045	20,000	18,850	38,850
2046	25,000	18,119	43,119
2047	25,000	17,306	42,306
2048	30,000	16,413	46,413
2049	490,000	7,963	497,963
	$ 925,000	$ 627,627	$ 1,552,627

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
May 31, 2023

Due During Fiscal Years Ending	Principal Due August 1	Interest Due August 1, February 1	Total
2024	$ -	$ 26,250	$ 26,250
2025		26,250	26,250
2026		26,250	26,250
2027		26,250	26,250
2028		26,250	26,250
2029		26,250	26,250
2030		26,250	26,250
2031		26,250	26,250
2032		26,250	26,250
2033		26,250	26,250
2034		26,250	26,250
2035		26,250	26,250
2036		26,250	26,250
2037		26,250	26,250
2038		26,250	26,250
2039		26,250	26,250
2040		26,250	26,250
2041		26,250	26,250
2042		26,250	26,250
2043		26,250	26,250
2044		26,250	26,250
2045		26,250	26,250
2046		26,250	26,250
2047		26,250	26,250
2048		26,250	26,250
2049		26,250	26,250
2050	370,000	19,775	389,775
2051	380,000	6,650	386,650
	$ 750,000	$ 708,925	$ 1,458,925

See accompanying auditor's report.

Harris County Municipal Utility District No. 404
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2023

Due During Fiscal Years Ending	Principal Due August 1	Interest Due August 1, February 1	Total
2024	$ 180,000	$ 343,765	$ 523,765
2025	185,000	337,945	522,945
2026	195,000	331,453	526,453
2027	200,000	324,221	524,221
2028	205,000	316,677	521,677
2029	215,000	308,640	523,640
2030	220,000	299,685	519,685
2031	230,000	289,984	519,984
2032	240,000	279,760	519,760
2033	250,000	269,137	519,137
2034	260,000	258,194	518,194
2035	275,000	246,763	521,763
2036	285,000	234,897	519,897
2037	295,000	222,740	517,740
2038	310,000	210,059	520,059
2039	325,000	196,732	521,732
2040	335,000	182,816	517,816
2041	350,000	168,329	518,329
2042	365,000	153,210	518,210
2043	380,000	137,388	517,388
2044	400,000	120,756	520,756
2045	415,000	104,000	519,000
2046	435,000	87,169	522,169
2047	450,000	69,656	519,656
2048	470,000	51,463	521,463
2049	490,000	34,213	524,213
2050	370,000	19,775	389,775
2051	380,000	6,650	386,650
	$ 8,710,000	$ 5,606,077	$ 14,316,077

See accompanying auditor's report.

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Harris County Municipal Utility District No. 404
TSI-6. Change in Long-Term Bonded Debt
May 31, 2023

	Bond Issue			
	Series 2014	Series 2016	Series 2017	Series 2019 Park
Interest rate	3.00% - 5.00%	2.50% - 4.375%	2.00% - 4.00%	3.00% - 7.00%
Dates interest payable	8/1; 2/1	8/1; 2/1	8/1; 2/1	8/1; 2/1
Maturity dates	8/1/17 - 8/1/43	8/1/18 - 8/1/45	8/1/19 - 8/1/47	8/1/21 - 8/1/48
Beginning bonds outstanding	$ 1,590,000	$ 3,070,000	$ 2,540,000	$ 935,000
Bonds retired	(35,000)	(85,000)	(45,000)	(10,000)
Ending bonds outstanding	$ 1,555,000	$ 2,985,000	$ 2,495,000	$ 925,000
Interest paid during fiscal year	$ 73,820	$ 118,306	$ 96,608	$ 34,125

Paying agent's name and city	
Series 2014 and 2016	BOKF, NA dba Bank of Texas, Austin, Texas
Series 2017	UMB Bank, N.A., Dallas, Texas
Series 2019 Park	UMB Bank, N.A., Austin, Texas
Series 2022	UMB Bank, N.A., Houston, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds
Amount Authorized by Voters	$ 50,900,000	$ 4,000,000
Amount Issued	(8,555,000)	(945,000)
Remaining To Be Issued	$ 42,345,000	$ 3,055,000

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

Debt Service Fund cash and investment balances as of May 31, 2023:	$ 954,044
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 511,288

See accompanying auditor's report.

Bond Issue	
Series 2022	Totals
3.50%	
8/1; 2/1	
8/1/49 - 8/1/50	
$ 750,000	$ 8,885,000
	(175,000)
$ 750,000	$ 8,710,000
$ 21,875	$ 344,734

Harris County Municipal Utility District No. 404
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	$ 614,077	$ 455,330	$ 361,131	$ 374,674	$ 330,830
Investment earnings	16,588	436	557	4,430	3,632
Total Revenues	630,665	455,766	361,688	379,104	334,462
Expenditures					
Operating and administrative					
Professional fees	71,700	74,201	63,648	69,475	68,642
Contracted services	109,849	94,547	92,554	78,529	8,960
Repairs and maintenance	153,662	129,928	81,602	34,994	43,944
Administrative	16,709	16,327	18,639	17,485	15,837
Other	975	600	120	120	120
Capital outlay			73,458		
Total Expenditures	352,895	315,603	330,021	200,603	137,503
Revenues Over Expenditures	$ 277,770	$ 140,163	$ 31,667	$ 178,501	$ 196,959

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
97%	100%	100%	99%	99%
3%	*	*	1%	1%
100%	100%	100%	100%	100%
11%	16%	18%	18%	21%
17%	21%	26%	21%	3%
24%	29%	23%	9%	13%
3%	4%	5%	5%	5%
*	*	*	*	*
		20%		
55%	70%	92%	53%	42%
45%	30%	8%	47%	58%

Harris County Municipal Utility District No. 404
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	$ 529,112	$ 560,685	$ 503,325	$ 512,595	$ 460,845
Penalties and interest	4,057	6,538	1,939	6,668	4,738
City of Houston tax rebates	13,571	12,316	12,081	13,789	14,255
Miscellaneous					104
Investment earnings	5,679	496	664	10,674	7,322
Total Revenues	552,419	580,035	518,009	543,726	487,264
Expenditures					
Tax collection services	22,497	21,600	18,183	17,309	15,993
Debt service					
Principal	175,000	170,000	160,000	155,000	105,000
Interest and fees	345,787	330,258	334,055	325,191	318,568
Total Expenditures	543,284	521,858	512,238	497,500	439,561
Revenues Over Expenditures	$ 9,135	$ 58,177	$ 5,771	$ 46,226	$ 47,703

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
96%	97%	97%	94%	94%
1%	1%	*	1%	1%
2%	2%	3%	3%	3%
				*
1%	*	*	2%	2%
100%	100%	100%	100%	100%
4%	4%	4%	3%	3%
32%	29%	31%	29%	22%
63%	57%	64%	60%	65%
99%	90%	99%	92%	90%
1%	10%	1%	8%	10%

Harris County Municipal Utility District No. 404
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2023

Complete District Mailing Address: 1980 Post Oak Blvd, Suite 1380, Houston, TX 77056

District Business Telephone Number: (713) 850-9000

Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054): May 17, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: $ 7,200

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Xochytl Greer	05/20 - 05/24	$ 2,194	$ 242	President
Barrett Gibson	05/20 - 05/24	750	26	Vice President
Jimmy Hoagland	05/22 - 05/26	1,800	379	Secretary
Jeff Nutt	05/22 - 05/26	1,650	382	Assistant Secretary
Amaka Unaka	05/20 - 05/24	600	98	Assistant Secretary
		Amounts Paid		
Consultants				
Sanford Kuhl Hagan Kugle Parker Kahn LLP	2010	$ 40,590		Attorney
L & S District Services, LLC	2005	10,083		Bookkeeper
Utility Tax Service, LLC	2005	8,195		Tax Collector
Harris County Central Appraisal District	Legislative	8,155		Property Valuation
Deden Services, LLC	2023			Engineer
McGrath & Co., PLLC	2014	12,000		Auditor
Blitch Associates, Inc.	2009			Financial Advisor
Halff Associates, Inc.	2021	19,538		Former Engineer

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

See accompanying 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)