

OFFICIAL STATEMENT DATED MAY 22, 2024

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

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE - Book-Entry-Only

Moody's Investors Service, Inc. (Underlying)....."A2"
S&P Global Ratings (BAM Insured)....."AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS."

HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

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

\$39,995,000

**DEFINED AREA NO. 1 UNLIMITED TAX ROAD BONDS
SERIES 2024**

Dated: June 1, 2024

Interest Accrues From: Date of Delivery

Due: November 1, as shown below

Interest on the Harris County Improvement District No. 18 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2024 (the "Bonds") will accrue from the initial date of delivery which is expected to be on or about June 27, 2024 (the "Date of Delivery"), and is payable on November 1, 2024, and on each May 1 and November 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Registrar to registered owners ("Registered Owners") as shown on the records of the Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, 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., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Zions Bancorporation, National Association, Houston, Texas, (the "Paying Agent/Registrar"). The Bonds are obligations solely of the Harris County Improvement District No. 18 (the "District") and are not obligations of Harris County, Texas (the "County"), the City of Houston, Texas (the "City"), the State of Texas, or any entity other than the District.

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.

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



The District created a special defined area within the District pursuant to Texas law comprised of 1,495.6 acres (the "Defined Area") for the purposes of financing road improvements within the Defined Area, known as Defined Area No. 1. The Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing public roads and related improvements to serve the Defined Area. Voters in the Defined Area have authorized a total of \$1,177,000,000 principal amount of Defined Area unlimited tax bonds for road improvements to serve the Defined Area and refunding such bonds. Following the issuance of the Bonds, \$1,101,545,000 principal amount of Defined Area unlimited tax bonds for road improvements and refunding such bonds will remain authorized but unissued. Further, voters in the District have authorized additional bonds to serve all the land in the District, including: a total of \$637,000,000 principal amount of unlimited tax bonds to finance improvements to the District's water, sewer and drainage system (the "System") and refunding such bonds; \$315,600,000 principal amount of unlimited tax bonds for parks and recreational facilities and refunding such bonds; \$15,100,000 principal amount of unlimited tax bonds for firefighting facilities and refunding such bonds; \$128,000,000 principal amount of unlimited tax bonds for parking facilities and refunding such bonds; \$48,000,000 principal amount of unlimited tax bonds for economic development and refunding such bonds; and \$11,000,000 principal amount of unlimited tax bonds for transit facilities and refunding such bonds. The District has previously issued \$132,240,000 principal amount of unlimited tax and refunding bonds for System facilities, of which \$102,310,000 principal amount of such bonds remains outstanding as of the Date of Delivery, and \$23,635,000 principal amount of unlimited tax and refunding bonds for parks and recreational facilities, of which \$19,805,000 principal amount of such bonds remains outstanding as of delivery of the \$5,435,000 Unlimited Tax Park Bonds, Series 2024 (the "Park Bonds"). The Park Bonds are scheduled to sell on June 11, 2024, and close on or about July 10, 2024. Additionally, the District has previously issued \$35,460,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements, of which \$29,695,000 principal amount of such bonds remains outstanding as of the Date of Delivery. See "THE BONDS - Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and binding special obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the Defined Area. See "THE BONDS - Source and Security for Payment."

The Bonds are offered by the initial purchaser of the Bonds (the "Initial Purchaser") subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the initial Bond by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson 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 June 27, 2024, in Houston, Texas.

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

\$39,995,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2024

\$35,685,000 Serial Bonds

Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)	Maturity (November 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414183 (b)
2025	\$ 2,725,000	4.000%	3.850%	LY7	2034 (c)	\$ 2,110,000	4.000%	3.650%	MH3
2026	2,405,000	4.000%	3.750%	LZ4	2035 (c)	2,125,000	4.000%	3.750%	MJ9
2027	2,370,000	4.000%	3.650%	MA8	***	***	***	***	***
2028	2,340,000	4.000%	3.500%	MB6	2038 (c)	2,185,000	4.000%	4.030%	MM2
2029	2,305,000	4.000%	3.450%	MC4	2039 (c)	2,205,000	4.000%	4.060%	MN0
2030 (c)	2,265,000	4.000%	3.450%	MD2	2040 (c)	2,225,000	4.000%	4.090%	MP5
2031 (c)	2,230,000	4.000%	3.500%	ME0	2041 (c)	2,245,000	4.000%	4.120%	MQ3
2032 (c)	2,190,000	4.000%	3.550%	MF7	2042 (c)	1,610,000	4.000%	4.150%	MR1
2033 (c)	2,150,000	4.000%	3.600%	MG5					

\$4,310,000 Term Bond

\$4,310,000 Term Bond Due November 1, 2037 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 414183 ML4 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on November 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on November 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on November 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and 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 Allen Boone Humphries Robinson LLP for further information.

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

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 here from, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 99.332997% of par, resulting in a net effective interest rate to the District of 4.070175%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure 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 <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2024, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$483.2 million, \$221.8 million, and \$261.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

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

Moody’s has assigned an underlying credit rating of “A2” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

[Remainder of this page intentionally left blank]

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

Description..... Harris County Improvement District No. 18 (the “District”) is issuing its \$39,995,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2024 (the “Bonds”). The Bonds are dated June 1, 2024, and accrue interest from the initial date of delivery which is expected to be on or about June 27, 2024 (the “Date of Delivery”), with interest payable on November 1, 2024, and on each May 1 and November 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. The Bonds mature serially on November 1 in the years and in the principal amounts set forth on the inside cover page hereof. See “THE BONDS – General.”

Redemption..... Bonds maturing on and after November 1, 2030, are subject to redemption, in whole or from time to time in part, at the option of the District on November 1, 2029, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

The Bonds maturing on November 1, 2025, through November 1, 2035, both inclusive, and November 1, 2038, through November 1, 2042, both inclusive, are serial bonds. The Bond maturing on November 1, 2037, is a term bond, which has mandatory redemption provisions set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”

Source and Security for Payment..... The District created a special defined area within the District pursuant to Texas law comprised of 1,495.6 acres (the “Defined Area”) for the purposes of financing road improvements within the Defined Area, known as Defined Area No. 1. Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied by the District on taxable property within the Defined Area in the District. The Bonds are special limited obligations of the District secured by the proceeds of an ad valorem tax levied only upon taxable property located within the Defined Area. The Bonds are not secured by the proceeds of ad valorem taxes levied by the District upon taxable property that is located within the District but not within the Defined Area, nor are the Bonds secured by the District Annual Payments (defined below) to be made to the District each year under the terms of the Agreement (defined below). The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Defined Area and are not obligations of the State of Texas; Harris County, Texas (the “County”); the City of Houston, Texas (the “City”); or any other political subdivision or entity other than the District. See “THE BONDS – Source and Security for Payment.”

Agreement with Harris County Effective December 12, 2012, the District entered into an agreement (the “Agreement”) made by and between the County, Harris County Redevelopment Authority (the “Authority”), and the District. The Agreement establishes a program to finance and develop certain

road and park improvements (“Public Improvements”) in accordance with Article III, Section 52a of the Texas Constitution and Chapter 381, Texas Local Government Code under which the County has the authority to use public funds for the public purposes of promoting local economic development and stimulating business and commercial activity within the County.

The Agreement establishes a tax increment (“Tax Increment”) that is equal to the amount of taxes collected by the County from the County’s levy of an ad valorem tax rate each year upon the amount of taxable value of real property in the District that is in addition to a base amount of taxable value in the District, as such base value is defined in the Agreement and from which incremental taxable value in the District is derived for the purposes of determining the Tax Increment. The Agreement further provides that the District is to receive payments on an annual basis in an amount equal to sixty-five percent (65%) of the Tax Increment (the “District Annual Payments”) for the following purposes: (1) to fund or reimburse the District for Public Improvements Costs (as defined in the Agreement); and (2) for payment of interest and debt service on bonds issued to finance Public Improvements Costs. The proceeds of the Bonds will be used to reimburse the Principal Developer for certain Public Improvements Costs and to finance the costs of designing and constructing certain Public Improvements, all of which are road improvements.

The District intends to use District Annual Payments received under the terms of the Agreement to make payments of principal and interest due on the Bonds. However, while the District intends to use District Annual Payments to pay debt service on the Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds.

The District’s \$5,435,000 Unlimited Tax Parks Bonds, Series 2024 (the “Park Bonds”), are scheduled to sell on June 11, 2024, and close on or about July 10, 2024. Proceeds of the Park Bonds will be used to reimburse the Principal Developer for the costs of constructing and installing certain Public Improvements under the Agreement related to park improvements. The District intends to use District Annual Payments to make payments of principal and interest due on the Park Bonds as well as the Bonds. However, while the District intends to use District Annual Payments to pay debt service on both the Park Bonds and the Bonds, the District Annual Payments are not pledged to the payment of debt service on either the Park Bonds or the Bonds. See “THE BONDS – Economic Development Agreement” for further information related to the Agreement.

Authority for Issuance..... The Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing public roads and related improvements to serve the Defined Area and for refunding purposes. Voters in the Defined Area have authorized a total of \$1,177,000,000 principal amount of Defined Area unlimited tax bonds for road improvements to serve the Defined Area and refunding such bonds. Following the issuance of the Bonds, \$1,101,545,000 principal amount of Defined Area unlimited tax bonds for road improvements and refunding such bonds will remain authorized but unissued. Further, voters in the District have authorized additional bonds to serve all the land in the District, including: a total of \$637,000,000 principal amount of unlimited tax

bonds to finance improvements to the District’s water, sewer and drainage system (the “System”) and refunding such bonds; \$315,600,000 principal amount of unlimited tax bonds for parks and recreational facilities and refunding such bonds; \$15,100,000 principal amount of unlimited tax bonds for firefighting facilities and refunding such bonds; \$128,000,000 principal amount of unlimited tax bonds for parking facilities and refunding such bonds; \$48,000,000 principal amount of unlimited tax bonds for economic development and refunding such bonds; and \$11,000,000 principal amount of unlimited tax bonds for transit facilities and refunding such bonds. See “DEVELOPMENT WITHIN THE DISTRICT – The Defined Area” and “THE BONDS – Issuance of Additional Debt.” The Bonds, when issued, will constitute valid and binding special obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the Defined Area. See “THE BONDS – Source and Security for Payment.”

The Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”); an election held in the District on November 8, 2011; Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375 of the Texas Local Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 of the Texas Constitution. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”

- Outstanding Defined Area Bonds The District has previously issued \$11,940,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2016; \$15,000,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2017; and \$8,520,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2019, of which an aggregate \$29,695,000 principal amount of such bonds remains outstanding as of the Date of Delivery (the “Outstanding Defined Area Bonds”). See “THE BONDS – Outstanding Defined Area Bonds” and “DEVELOPMENT WITHIN THE DISTRICT – The Defined Area.” Further, the District has issued an aggregate of \$155,875,000 principal amount of unlimited tax bonds, of which \$122,115,000 principal amount of such bonds remains outstanding as of delivery of the Park Bonds (together with the Outstanding Defined Area Bonds, the “Outstanding Bonds”). The Park Bonds are scheduled to sell on June 11, 2024, and close on or about July 10, 2024.
- Principal Use of Proceeds Proceeds of the Bonds will be used to reimburse the Principal Developer for constructing certain Public Improvements and to finance the construction of certain Public Improvements under the Agreement, all of which are road improvements, as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Additionally, proceeds from the Bonds will be used to pay six (6) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Not Qualified Tax-Exempt Obligations The Bonds are **NOT** “Qualified Tax-Exempt Obligations” for financial institutions.
- Municipal Bond Insurance Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
- Ratings..... S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (“Moody’s”) (Underlying): “A2.” See “RATINGS.”

General & Bond Counsel.....Allen Boone Humphries Robinson LLP, Houston, Texas.
 Disclosure Counsel Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
 Financial Advisor..... Robert W. Baird & Co. Incorporated, Houston, Texas.
 District Engineer..... Halff Associates, Inc., Houston, Texas.

THE DISTRICT

The District.....The District was created in 2009 under Article XVI, Section 59 and Article III, Sections 52 and 52-a, Texas Constitution by Senate Bill 2510 of the Texas Legislature, 81st Regular Session, effective September 1, 2009, as codified in Chapter 3879 of the Texas Special District Local Laws Code. The District operates pursuant to Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375 of the Texas Local Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Sections 52 and 52-a and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 1,886.8 acres and is located entirely within the County and entirely within the extraterritorial jurisdiction of the City. See “THE DISTRICT – General.”

Location.....The District is located in northern Harris County, Texas, approximately 24 miles north of downtown Houston and approximately 2 miles south of The Woodlands, Texas, a 28,000-acre master-planned community. The District is generally bordered on the north by Spring Creek, on the east by Interstate Highway 45, and on the south by Spring Stuebner Road. See “AERIAL PHOTOGRAPH OF THE DISTRICT.”

The Defined Area.....On August 24, 2011, the Board of Directors of the District designated 1,495.6 acres as the Defined Area. The Defined Area encompasses the entire District except for a portion of the District upon which ExxonMobil Corporation (“ExxonMobil”) operates a corporate campus (approximately 385.10 acres). The District created the Defined Area to finance public roads and related improvements within the Defined Area, for which the District has sold unlimited tax road bonds, and intends to sell additional unlimited tax road bonds, supported by the taxable value only within the Defined Area. There is only one defined area created within the District. See “DEVELOPMENT WITHIN THE DISTRICT – The Defined Area” and “INVESTMENT CONSIDERATIONS – Future Debt.”

Agreement with Harris County.....As provided above, under the terms of the Agreement between the District, the County, and the Authority, the District is to receive District Annual Payments equal to 65% of the Tax Increment for the following purposes: (1) to fund or reimburse the District for Public Improvements Costs (as defined in the Agreement); and (2) for payment of interest and debt service on bonds issued to finance Public Improvements Costs. The Agreement provides that, for so long as District Annual Payments are due under the terms of the Agreement, 80% of the Tax Increment is to be paid by the County to the Authority, and the Authority is to make payments of District Annual Payments to the District in an amount equal to 65% of the Tax Increment. The Agreement requires that District Annual Payments be made and continue until the earlier of the following: (i) payment of the District Annual Payment for the tax year ending December 31, 2042 (reflecting a District Annual Payment to be received by the District in the 2043 calendar year); (ii) such time as District Annual Payments reach the Payment Cap (as defined in the

Agreement and below); and (iii) such time that all Public Improvements are completed and the District has received District Annual Payments equal to the costs of the Public Improvements plus interest due thereon as provided in the Agreement.

The “Payment Cap” defined in the Agreement is \$82,000,000 plus Interest (defined below) due to the District for the costs of Public Improvements. Under the Agreement, the amount of interest due on the Public Improvements (“Interest”) is the amount equal to the accrual of interest at an annual rate of 6.00% upon the amount of costs that have been incurred for the Public Improvements but that have not been previously paid by the Authority to the District. The Agreement further provides that, in determining the amounts of the Payment Cap and Interest, the District Annual Payment each year is to be first applied to Interest and the remainder (if any) of a District Annual Payment is to be applied to the costs of Public Improvements that have been incurred and that remain outstanding (i.e., have not been paid for through prior District Annual Payments).

As of July 7, 2023, following the receipt of the District Annual Payment for the 2022 tax year in the amount of \$3,868,360 and the application thereof to the costs incurred for Public Improvements and Interest due thereon under the Agreement, the amount of costs incurred through December 31, 2022, for Public Improvements and that remain to be paid under the Agreement is approximately \$29,756,361. The District has incurred approximately \$855,000 in additional Public Improvements Costs since January 1, 2023. See “THE BONDS – Economic Development Agreement” and “INVESTMENT CONSIDERATIONS – Future Debt.”

Principal Developer and Landowner.....Springwoods Realty, Inc. (“SRI” or the “Principal Developer”) is the primary developer of land within the District. SRI currently owns approximately 217 acres of land within the District. SRI, through its subsidiaries, is also in a joint venture, DMB Springwoods, LLC, to develop approximately 382 acres for single-family residential purposes. Additionally, SRI affiliates own various vacant commercial parcels within City Place, totaling approximately 13 acres.

Through development and acquisitions, SRI and its affiliates, through its subsidiaries or directly, have gained investment positions in several buildings within the District. All such buildings are operational and partially or fully leased to office, retail, and residential tenants. These investments include, but are not limited to, interests in USODP Mossy Oaks LLC (“USODP Mossy Oaks”), Springwoods 4A Inc. (“Springwoods 4A”), Springmark LLC (“Springmark”), and Springwoods 1B Inc. (“Springwoods 1B”). See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Principal Taxpayers’ Obligations to the Defined Area” and “TAX DATA – Principal Taxpayers.”

Property OwnerSpear Street Capital (“Spear Street”) acquired approximately 25.62 acres within the District on which Southwestern Energy (“SWN”) has its corporate headquarters. The campus includes a 590,000 square foot office building with structured parking. The campus provides workspace for approximately 1,500 people. SWN has signed a lease with Spear Street. Including SWN, approximately 60% of the building is currently leased. Leasing efforts continue for the remaining space currently unoccupied. Spear Street has not announced plans to construct on the vacant portion of this land. See “INVESTMENT CONSIDERATIONS.”

Development Within the District The District was originally developed and marketed under the name “Springwoods Village.” In 2021, the Principal Developer began marketing the land within the District as City Place, which remains the marketing name for the properties within the District.

The District has been developed as a mixed-use development, including commercial, retail, multi-family residential, single-family residential, medical and hotels. The District includes four (4) corporate campuses, three (3) apartment complexes, two (2) single-family subdivisions, three (3) hotels, a movie theater, a fitness center, a grocery store and various retail establishments. The District has in excess of 5.5 million square feet of commercial office space, over 200,000 square feet of retail space, 918 units of multi-family housing, 137 single-family lots (with all homes complete) and 380,000 square feet of medical office space with associated services. See “DEVELOPMENT WITHIN THE DISTRICT.”

INVESTMENT CONSIDERATIONS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Assessed Valuation of Defined Area No. 1.....	\$ 1,336,260,199	(a)
See "TAX DATA" and "TAXING PROCEDURES."		
Defined Area Direct Debt:		
The Outstanding Defined Area Bonds.....	\$ 29,695,000	
The Bonds	<u>39,995,000</u>	
Total.....	\$ 69,690,000	(b)
Estimated Overlapping Debt.....	<u>\$ 132,798,446</u>	(c)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 202,488,446</u>	(c)
Ratio of Direct Debt to:		
2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199)		5.22% (b)
Ratio of Direct and Estimated Overlapping Debt to:		
2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199)		15.15%
Defined Area Debt Service Fund Balance (as of April 24, 2024).....	\$ 2,983,750	(d)
District Debt Service Fund Balance (as of April 24, 2024)	\$ 16,495,949	
District Operating Fund Balance (as of April 24, 2024)	\$ 28,448,680	
Defined Area Capital Projects Fund Balance (as of April 24, 2024).....	\$ 135,863	
District Capital Projects Fund Balance (as of April 24, 2024)	\$ 84,072	
2023 Tax Rate		
Debt Service	\$ 0.400	
Maintenance & Operation	0.385	
Defined Area Debt Service	<u>0.165</u>	(e)
Total.....	<u>\$ 0.950</u>	
Average Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2024-2044)	\$ 4,529,942	(f)
Maximum Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2025).....	\$ 6,417,725	(f)
Defined Area Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2024-2044) at 95% Tax Collections: Based Upon 2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199).....		
	\$ 0.36	
Defined Area Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2025) at 95% Tax Collections: Based Upon 2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199).....		
	\$ 0.51	

- (a) Certified taxable assessed value of taxable property within the District valued as of January 1, 2023, as provided by the Harris Central Appraisal District ("HCAD" or "Appraisal District").
- (b) The District intends to use the Defined Area tax pledge to make payments on the Outstanding Bonds (herein defined) for the Defined Area (herein defined). The District intends to use the District Annual Payments (herein defined) received under the terms of the Agreement (herein defined) to make payments of principal and interest due on the Bonds. However, while the District intends to use the District Annual Payments to pay debt service on the Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds.
- (c) Includes the \$5,435,000 Unlimited Tax Park Bonds, Series 2024, which are scheduled to sell on June 11, 2024, and close on or about July 10, 2024.
- (d) Neither Texas Law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Debt Service Fund (herein defined).
- (e) Such tax rate is composed entirely of a tax for payment of debt service on the Outstanding Defined Area Bonds, the Bonds, and any additional bonds that the District may hereafter issue that are secured by the proceeds of taxes levied upon taxable property located only within the Defined Area.
- (f) Debt service on the Outstanding Bonds and the Bonds. See "DEBT SERVICE REQUIREMENTS."

OFFICIAL STATEMENT

relating to

**HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18
(A Political Subdivision of the State of Texas Located in Harris County, Texas)**

**\$39,995,000
DEFINED AREA NO. 1 UNLIMITED TAX ROAD BONDS
SERIES 2024**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Improvement District No. 18 (the “District”) of its \$39,995,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”); an election held in the District on November 8, 2011; Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375 of the Texas Local Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 of the Texas Constitution.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 or during the offering period from the District’s Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Stephen M. Eustis, 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056 upon payment of reasonable copying, mailing, and handling charges.

THE BONDS

General

The Bonds are dated June 1, 2024, and accrue interest from the initial date of delivery, which is expected to be on or about June 27, 2024 (the “Date of Delivery”), with interest payable on November 1, 2024, and on each May 1 and November 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or prior redemption. The Bonds will be issued in fully registered form only, without coupons, in the denomination of \$5,000 of principal amount or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resign or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is Zions Bancorporation, National Association, Houston, Texas, (the “Paying Agent/Registrar”).

Redemption Provisions

Optional Redemption

The Bonds maturing on and after November 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time in time in part, on November 1, 2029, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall effect the sufficiency of notice given as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile. The Bonds of a denomination

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

Mandatory Redemption

The Bond maturing on November 1, 2037, is a term bond (the “Term Bond”), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

<u>\$4,310,000 Term Bond Maturing on November 1, 2037</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
November 1, 2036	\$ 2,145,000
November 1, 2037 (Maturity)	\$ 2,165,000

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

Registration, Transfer and Exchange

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owners of the Bonds (the “Registered Owners”), except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

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

Source and Security for Payment

The District created a special defined area within the District pursuant to Texas law comprised of 1,495.6 acres (the "Defined Area") for the purposes of financing road improvements within the Defined Area, known as Defined Area No. 1. Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied by the District on taxable property within the Defined Area in the District. The Bonds are special limited obligations of the District secured by the proceeds of an ad valorem tax levied only upon taxable property located within the Defined Area. The Bonds are not secured by the proceeds of ad valorem taxes levied by the District upon taxable property that is located within the District but not within the Defined Area, nor are the Bonds secured by the District Annual Payments (herein defined) to be made to the District each year under the terms of the Agreement (herein defined). The Bonds are special limited obligations of the District secured solely by ad valorem taxes levied on property within the Defined Area and are not obligations of the State of Texas; Harris County, Texas (the "County"); the City of Houston, Texas (the "City"); or any other political subdivision or entity other than the District.

The District intends to use District Annual Payments received under the terms of the Agreement to make payments of principal and interest due on the Bonds. However, while the District intends to use District Annual Payments to pay debt service on the Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds.

Authority for Issuance

The Bonds constitute the fourth series of Defined Area unlimited tax bonds issued by the District for the purpose of acquiring or constructing public roads and road improvements to serve the Defined Area. Voters in the Defined Area have authorized a total of \$1,177,000,000 principal amount of Defined Area unlimited tax bonds to finance road improvements and for refunding purposes. Following the issuance of the Bonds, \$1,101,545,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements within the Defined Area will remain authorized but unissued.

The Bonds are issued pursuant to the Bond Resolution; an election held in the District on November 8, 2011; Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375 of the Texas Local Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 of the Texas Constitution.

Issuance of Additional Debt

At an election held on November 8, 2011, voters in the Defined Area authorized \$1,177,000,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements to serve the Defined Area. To date, the District has issued \$35,460,000 principal amount of unlimited tax bonds for road improvements within the Defined Area, of which \$29,695,000 remains outstanding as of the Date of Delivery. Following the issuance of the Bonds, \$1,101,545,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements will remain authorized but unissued. All of these bonds, if issued, will be secured by ad valorem taxes levied on property within the Defined Area.

The District may issue additional bonds. The District's voters have authorized: (i) \$637,000,000 principal amount of unlimited tax bonds for improvements to the water, drainage and sewer system (the "System") and for refunding purposes; (ii) \$315,600,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes; (iii) \$15,100,000 principal amount of unlimited tax bonds for firefighting facilities and for refunding purposes; (iv) \$128,000,000 principal amount of unlimited tax bonds for public parking facilities and for refunding purposes; (v) \$48,000,000 principal amount of unlimited tax bonds for economic development projects and for refunding purposes; and (vi) \$11,000,000 principal amount of unlimited tax bonds for transit facilities and for refunding purposes. To date, the District has issued an aggregate \$132,240,000 principal amount of unlimited tax bonds for improvements to the System and

refunding purposes and an aggregate \$23,635,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes. The principal amount of unlimited tax bonds for park and recreational facilities includes the \$5,435,000 Unlimited Tax Park Bonds, Series 2024 (the "Park Bonds"), which are scheduled to sell on June 11, 2024, and close on or about July 10, 2024. As of the Date of Delivery, \$504,760,000 principal amount of unlimited tax bonds for improvements to the System and for refunding purposes, \$15,100,000 principal amount of unlimited tax bonds for firefighting facilities and for refunding purposes, \$128,000,000 principal amount of unlimited tax bonds for public parking facilities and for refunding purposes, \$48,000,000 principal amount of unlimited tax bonds for economic development projects and for refunding purposes, and \$11,000,000 principal amount of unlimited tax bonds for transit facilities and for refunding purposes remain authorized but unissued. As of delivery of the Park Bonds, \$291,965,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes remains authorized but unissued.

Effective December 12, 2012, the District entered into an agreement (the "Agreement") made by and between the County, Harris County Redevelopment Authority (the "Authority"), and the District. The Agreement establishes a program to finance and develop certain road and park improvements ("Public Improvements") in accordance with Article III, Section 52a of the Texas Constitution and Chapter 381, Texas Local Government Code under which the County has the authority to use public funds for the public purposes of promoting local economic development and stimulating business and commercial activity within the County. The Agreement establishes a tax increment ("Tax Increment") that is equal to the amount of taxes collected by the County from the County's levy of an ad valorem tax rate each year upon the amount of taxable value of real property in the District that is in addition to a base amount of taxable value in the District, as such base value is defined in the Agreement and from which incremental taxable value in the District is derived for the purposes of determining the Tax Increment. The Agreement further provides that the District is to receive payments on an annual basis in an amount equal to sixty-five percent (65%) of the Tax Increment (the "District Annual Payments") for the following purposes: (1) to fund or reimburse the District for Public Improvements Costs (as defined in the Agreement); and (2) for payment of interest and debt service on bonds issued to finance Public Improvements Costs. As of July 7, 2023, following the receipt of the District Annual Payment for the 2022 tax year in the amount of \$3,868,360 and the application thereof to the costs incurred for Public Improvements and Interest due thereon under the Agreement, the amount of costs incurred through December 31, 2022, for Public Improvements and that remain to be paid under the Agreement is approximately \$29,756,361. The District has incurred approximately \$855,000 in additional Public Improvements since January 1, 2023.

The Defined Area anticipates issuing unlimited tax bonds for road improvements to serve the Defined Area in 2024. Additionally, the District anticipates issuing unlimited tax bonds for park and recreational facilities to serve the District in 2024. The par amount of Bonds for the Defined Area and the District are yet to be determined.

Following the issuance of the Bonds, the District will owe the Principal Developer approximately \$45,000,000 for the reimbursable expenditures advanced for road improvements. Further after issuance of the Park Bonds, the District will owe the Principal Developer approximately \$2,900,000 for expenditures advanced for water, sewer, and drainage facilities and park and recreational facilities within the District. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Based on present engineering cost estimates and on development plans supplied by the Principal Developer, in the opinion of the District's consulting engineer following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Principal Developer the remaining amounts owed for the existing utility facilities and to finance the extension of water, wastewater and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

Economic Development Agreement

Under the terms of the Agreement between the District, the County, and the Authority, the District is to receive District Annual Payments equal to 65% of the Tax Increment for the following purposes: (1) to fund or reimburse the District for Public Improvements Costs (as defined in the Agreement); and (2) for payment of interest and debt service on bonds issued to finance Public Improvements Costs. The Agreement provides that, for so long as District Annual Payments are due under the terms of the Agreement, 80% of the Tax Increment is to be paid by the County to the Authority, and the Authority is to make payments of District Annual Payments to the District in an amount equal to 65% of the Tax Increment. The Agreement requires that District Annual

Payments be made and continue until the earlier of the following: (i) payment of the District Annual Payment for the tax year ending December 31, 2042 (reflecting a District Annual Payment to be received by the District in the 2043 calendar year); (ii) such time as District Annual Payments reach the Payment Cap (as defined in the Agreement and below); and (iii) such time that all Public Improvements are completed and the District has received District Annual Payments equal to the costs of the Public Improvements plus interest due thereon as provided in the Agreement. The "Payment Cap" defined in the Agreement is \$82,000,000 plus Interest (defined below) due on the costs of Public Improvements. Under the Agreement, the amount of interest due on the Public Improvements ("Interest") is the amount equal to the accrual of interest at an annual rate of 6.00% upon the amount of costs that have been incurred for the Public Improvements but that have not been previously paid by the Authority to the District. The Agreement further provides that, in determining the amounts of the Payment Cap and Interest, the District Annual Payment each year is to be first applied to Interest and the remainder (if any) of a District Annual Payment is to be applied to the costs of Public Improvements that have been incurred and that remain outstanding (i.e., have not been paid for through prior District Annual Payments).

The District intends to use District Annual Payments received under the terms of the Agreement to make payments of principal and interest due on the Bonds. However, while the District intends to use District Annual Payments to pay debt service on the Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds.

Following the issuance of the Bonds, the District intends to issue the Park Bonds. Proceeds of the Park Bonds will reimburse the Principal Developer for certain Public Improvements under the Agreement related to park improvements. Proceeds of the Bonds will reimburse the Principal Developer to finance certain Public Improvements under the Agreement related to road improvements. The District intends to use District Annual Payments to make payments of principal and interest due on the Park Bonds as well as the Bonds. However, while the District intends to use District Annual Payments to pay debt service on both the Park Bonds and the Bonds, the District Annual Payments are not pledged to the payment of debt service on either the Park Bonds or the Bonds.

Outstanding Defined Area Bonds

The District has previously issued \$11,940,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2016; \$15,000,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2017; and \$8,520,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2019, of which an aggregate \$29,695,000 principal amount of such bonds remains outstanding as of the Date of Delivery (the "Outstanding Defined Area Bonds"). See "DEVELOPMENT WITHIN THE DISTRICT - The Defined Area." Further, the District has issued an aggregate of \$155,875,000 principal amount of unlimited tax bonds, of which \$122,115,000 principal amount of such bonds remains outstanding as of delivery of the Park Bonds (together with the Outstanding Defined Area Bonds, the "Outstanding Bonds"). The Park Bonds are scheduled to sell on June 11, 2024, and close on or about July 10, 2024.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner now or hereafter 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 noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, 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.

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

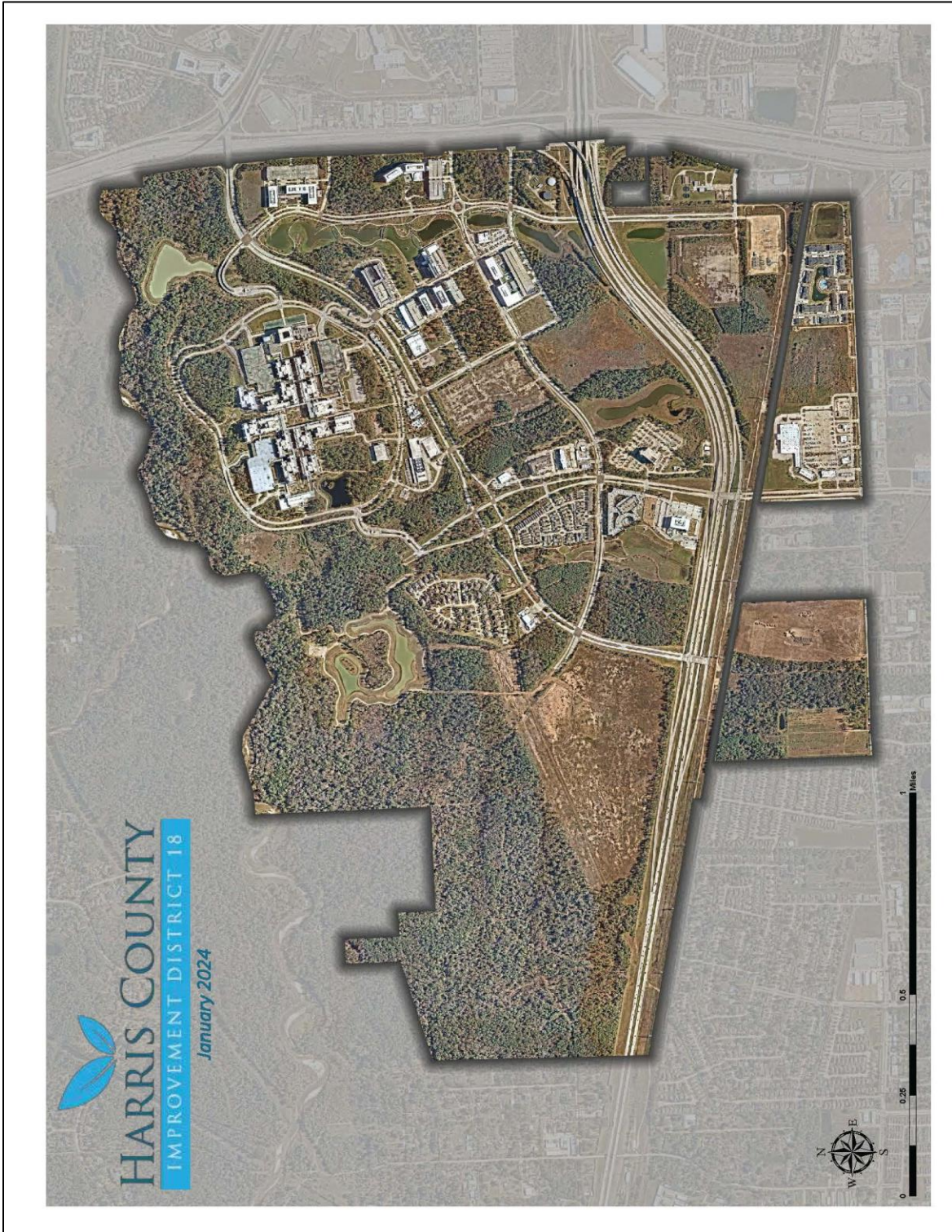
The proceeds of the Bonds will be used to (1) reimburse the Principal Developer for public roads and improvements in aid thereof, including segments of: (i) East Mossy Oaks Road; (ii) Holzwarth Road; and (iii) Springwoods Village Parkway, and (2) finance the construction of public roads and improvements in aid thereof, including segments of Springwoods Village Parkway, and associated contingencies, engineering fees and testing costs. In addition, the proceeds of the Bonds will be used to pay for six (6) months of capitalized interest, developer interest, and the issuance costs associated with the Bonds. Totals may not sum due to rounding.

	District's Share
CONSTRUCTION COSTS	
A. Developer Items	
1. East Mossy Oaks Road (Phases I – IV)	\$ 6,831,637
2. Holzwarth Road	13,580,409
3. Springwoods Village Parkway (Phases III – IV)	4,470,495
4. Springwoods Village Parkway (Phase V – A, Section 7)	675,453
5. Springwoods Village Parkway (Phase V – B, Section 5)	309,711
Total Developer Items	\$ 25,867,705
B. District Items	
1. Springwoods Village Parkway (Phase V – A, Section 7)	\$ 1,989,124
2. Springwoods Village Parkway (Phase V – B, Section 5)	7,487,742
3. Engineering, Testing, & Permitting (10% of Items 1 and 2)	947,687
Total District Items	\$ 10,424,553
Less: Surplus Construction Funds	\$ (135,000)
TOTAL CONSTRUCTION COSTS	\$ 36,157,259
NONCONSTRUCTION COSTS	
A. Legal Fees	\$ 639,950
B. Fiscal Agent Fees	624,950
C. Developer Interest	943,535
D. Capitalized Interest	799,900
E. Bond Discount	266,768
F. Bond Engineering Expenses	15,000
G. Bond Issuance Expenses	55,000
H. Attorney General Fee (0.1% or \$9,500 max)	9,500
I. Contingency (a)	483,138
TOTAL NONCONSTRUCTION COSTS	\$ 3,837,741
TOTAL BOND ISSUE REQUIREMENT	\$ 39,995,000

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest and Bond Discount.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed estimated costs, the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

AERIAL PHOTOGRAPH OF THE DISTRICT



THE DISTRICT

General

The District was created in 2009, and is a political subdivision of the State of Texas, operating as a municipal management district pursuant to Chapter 3879 of the Texas Special District Local Laws Code; Chapter 375 of the Texas Local Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article III, Section 52 and 52-a, and Article XVI, Section 59 of the Texas Constitution. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal management districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended, and Chapter 375 of the Texas Local Government Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered to finance certain road improvements located in the Defined Area. The District may also provide solid waste collection and disposal service and may finance, operate, maintain and construct recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservations and reclamation districts, if approved by the Texas Commission on Environmental Quality (the "TCEQ"). The District currently does not operate and/or maintain a fire department but is served by a station within the District through Harris County Emergency Services District Nos. 7 and 11. The District is also empowered, under its creation legislation, to undertake public parking facilities, transit facilities and economic development projects.

The District's powers include the authority to levy a sales tax and a hotel occupancy tax within the District's boundaries. The District is currently levying a sales and use tax of 1.00% on all sales made within the boundaries of District and a hotel occupancy tax of 7% on the hotels within its boundaries.

Location

The District encompasses approximately 1,886.8 acres and is located in northern portion of the County, approximately 24 miles north of downtown Houston, approximately 2 miles south of The Woodlands, Texas (a 28,000-acre master-planned community), and is located entirely within the extraterritorial jurisdiction of the City. The District is generally bordered on the north by Spring Creek, on the east by Interstate Highway 45, and on the south by Spring Stuebner Road. See "AERIAL PHOTOGRAPH OF THE DISTRICT"

Management of the District

The District is governed by a board of directors (the "Board"), consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms and are appointed by the TCEQ from nominations made by the Board. All of the directors are qualified to serve.

<u>Name</u>	<u>Position</u>	<u>Term Expires June</u>
Robert T. Deden	President	2027
Sue Darcy	Secretary	2027
Dwayne L. Mason	Vice President	2025
Craig Doyal	Assistant Vice President	2027
Richard L. Rose	Assistant Secretary	2025

General Manager – Mike Stone Associates, Inc. acts as general manager of the District.

Tax Assessor/Collector – Land and improvements in the District are appraised by the Harris Central Appraisal District ("HCAD" or "Appraisal District"). The Tax Assessor/Collector for the District is Assessments of the Southwest, Inc.

Bookkeeper – The District contracts with Municipal Accounts & Consulting, LP as Bookkeeper for the District.

Engineer – The District’s consulting engineer is Halff Associates, Inc. (the “Engineer”). For purposes of submittal of bond applications to the TCEQ and assisting with reimbursement, Jones-Heroy & Associates, Inc. has been engaged on behalf of the District. Versa Infrastructure, Inc. has been engaged to handle certain construction management services on behalf of the District.

Auditor – As required by the Texas Water Code, as amended, the District retains an independent auditor to audit the District’s financial statements annually, which audited financial statements are filed with the TCEQ. A copy of the District’s financial statements audited by McGrath & Co, PLLC for the fiscal year ended December 31, 2023, is included as APPENDIX A to this Official Statement.

Financial Advisor – Robert W. Baird & Co. Incorporated (the “Financial Advisor”) is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Bond and General Counsel – The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as the District’s general counsel.

Disclosure Counsel – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE PRINCIPAL DEVELOPER

The Role of the Developer

In general, the activities of a developer in a municipal management district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the community, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, telecommunications, and electric service) and selling improved lots and commercial reserves or land to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage in a municipal management district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal management district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is also a major taxpayer within a municipal management district during the development phase of the property.

Springwoods Realty, Inc.

Springwoods Realty, Inc. (“SRI” or the “Principal Developer”) is the primary developer of land within the District. SRI currently owns approximately 217 acres of land within the District. SRI, through its subsidiaries, is also in a joint venture, DMB Springwoods, LLC, to develop approximately 382 acres for single-family residential purposes. Additionally, SRI affiliates own various vacant commercial parcels within City Place, totaling approximately 13 acres.

Through development and acquisitions, SRI and its affiliates, through its subsidiaries or directly, have gained investment positions in several buildings within the District. All such buildings are operational and partially or fully leased to office, retail, and residential tenants. These investments include, but are not limited to, interests in USODP Mossy Oaks LLC (“USODP Mossy Oaks”), Springwoods 4A Inc. (“Springwoods 4A”), Springmark LLC (“Springmark”) and Springwoods 1B Inc. (“Springwoods 1B”).

USODP Mossy Oaks LLC – USODP Mossy Oaks owns the land and buildings which house the Hewlett-Packard Enterprise (“HPE”) corporate campus. The campus is located on approximately 7.8 acres of land, which includes

an approximately 445,000 square foot building and a parking structure. HPE has occupies the full campus and has signed a long-term lease. HPE's lease requires that it makes the property tax payments as part of its lease.

Springwoods 4A, Inc. – Springwoods 4A owns City Place 2, in which the American Bureau of Shipping (“ABS”) has its corporate headquarters. City Place 2 is a 10-story building totaling approximately 389,000 square feet of office space and a structured parking garage. ABS occupies the top 9 floors of the building, with the first floor being used for retail purposes. Currently, the retail space has an Island Grill restaurant and Edward Jones. ABS has signed a long-term lease. The lease agreements with the tenants requires that the tenants make property tax payments as part of their lease.

Springmark LLC – Springmark owns a 268-unit mid-rise luxury apartment complex known as “The Mark at City Place” (“The Mark”), which also includes approximately 8,500 square-feet of retail space facing Lake Plaza Drive. Currently, retail space has a Starbucks and Chipotle. The Mark offers one, two and three-bedroom units for lease and is currently 96% leased. The ad valorem property taxes are paid from the rents received from tenants.

Springwoods 1B, Inc. – Springwoods 1B owns “City Place 1”, an office building totaling approximately 162,000 square feet of office space and a structured parking garage. The office space has multiple tenants and is currently 96% leased. The first floor of the building is being used for retail purposes and includes a Common Bond Bakery restaurant, Sushi Rebel, and Focus Optical. The lease agreements with the tenants requires that the tenants make property tax payments as part of their lease.

SRI has entered into a management agreement with CDC Houston, Inc. (“CDC”), a subsidiary of Coventry Development Corp. (“Coventry”), a New York corporation. Coventry is a national developer of master-planned communities in Colorado, Florida and Texas.

Neither SRI nor any of the affiliated developers is obligated to develop, continue to develop or market their property on any specific timeline. Further, SRI, at their sole discretion, may sell, in whole or in part, their properties or choose to partner with other developers. The District makes no representation regarding the timing or likelihood of any future transactions related to the SRI properties.

See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Principal Taxpayers’ Obligations to the Defined Area” and “TAX DATA – Principal Taxpayers.”

PROPERTY OWNER

Spear Street Capital

Spear Street Capital (“Spear Street”) acquired approximately 25.62 acres within the District on which Southwestern Energy (“SWN”) has its corporate headquarters. The campus includes a 590,000 square foot office building with structured parking. The campus provides workspace for approximately 1,500 people and also includes a fitness center, conference space, and food court that is open to the public. SWN has signed a lease with Spear Street. Including SWN, approximately 60% of the building is currently leased. Leasing efforts continue for the remaining space currently unoccupied. Spear Street has not announced plans to construct on the vacant portion of this land. See “INVESTMENT CONSIDERATIONS.”

DEVELOPMENT WITHIN THE DISTRICT

The District was originally developed and marketed under the name “Springwoods Village.” In 2021, the Principal Developer began marketing the land within the District as City Place, which remains the marketing name for the properties within the District. The District has developed all of the major infrastructure which serves Springwoods Village/City Place. SRI has been partially reimbursed for the costs of public infrastructure funded by SRI from surplus operating funds, bonds issued by the District, and from revenues from the County pursuant to the Agreement.

The Defined Area

On August 24, 2011, the Board designated approximately 1,495.6 acres as Defined Area No. 1, or the Defined Area. The Defined Area encompasses the entire District except for a portion of the District upon which ExxonMobil Corporation (“ExxonMobil”) operates a corporate campus (approximately 385.10 acres). The District created the Defined Area to finance public roads and related improvements within the Defined Area. There is only one defined area created within the District.

Southwestern Energy Headquarters

Approximately 25.62 acres fronting Interstate Highway 45 has been developed into a corporate headquarters campus for SWN. The SWN campus totals approximately 590,000 square-feet of office space, which is estimated to provide workspace for approximately 1,500 employees.

City Place Urban Core

City Place Urban Core is a 60-acre mixed use urban center in City Place. As of April, 2024, the City Place Urban Core included:

Commercial – City Place Urban Core includes office buildings totaling 887,000 square-feet. Office tenants include the corporate headquarters of the American Bureau of Shipping (“ABS”), the corporate headquarters of Hewlett-Packard Enterprises (“HPE”), and a coworking space, Common Desk. There are approximately 5,000 square feet of available commercial office space which is being marketed.

Retail – City Place Urban Core includes 77,500 square feet of retail space. Retail tenants include Star Cinema Grill, a 10-screen movie theatre, a 24-Hour Fitness center, Common Bond, Starbucks, Island Grill, Rebel Sushi, and Chipotle Mexican Grill, Edward Jones Investments and Focus Optical.

Multi-Family Residential – City Place Urban Core contains a 268-unit mid-rise luxury apartment complex known as The Mark at City Place (“The Mark”). The Mark offers one, two and three-bedroom units for lease and is currently 96% leased.

Hotel – City Place Urban Core also includes a 337-room full-service Marriott Hotel, which includes 25,000 square-feet of meeting space and a full-service restaurant.

Upon completion, it is anticipated that the City Place Urban Core will be comprised of 4,000,000 square-feet of office space and 500,000 square-feet of retail space.

Other Development

In addition to the SWN campus and City Place Urban Core, the District includes the following:

Commercial – The District includes two (2) office buildings totaling approximately 393,000 square-feet, which house a corporate campus for HP, Inc. (“HPI”). HPI occupies the entirety of the campus.

Medical – The District includes two (2) medical office buildings totaling 380,000 square feet. CHI St. Luke’s Health System (“St. Luke’s”) owns and operates a 180,000 square foot medical office building, ambulatory center and surgery center. The medical office building is approximately 95% leased. The ambulatory and surgery centers are tax-exempt from ad valorem tax under Texas law. Kelsey-Seybold Clinic (“KSC”) has completed the development of a 200,000 square-foot medical office building. The medical office building is 100% leased.

Retail – The District includes The Market at Springwoods (“The Market”), a 31-acre retail development. The Market is anchored by a 100,000 square-foot Kroger grocery store. In addition to Kroger, this location includes approximately 60,000 square-feet of retail shops and restaurants including Torchy’s Tacos, Chick-Fil-A, CAVA, Urban Bird, Banfield Pet Hospital, Tarka Indian Kitchen, MOD Pizza, Pokemoto, Natural Pawz, Jinya Ramen Bar, Frost Bank, Regions Bank, and various other tenants.

The District has a Speedy Stop fuel station, convenience store, lube center and car wash.

Multi-Family Residential – Approximately 23.4 acres of the District have been developed as apartment complexes. The Belvedere at Springwoods Village (the “Belvedere”) is a 342-unit luxury apartment complex. The Canopy is a 326-unit apartment complex. Both developments offer one, two, and three-bedroom units. Both complexes are approximately 95% leased.

In addition, Martin Fein Interests, Ltd. (“Martin Fein”) has purchased approximately 21.4 acres for a future apartment complex to be marketed as “Echo Lake.” Echo Lake is anticipated to include 330 multi-family units.

Single-Family Residential – Two (2) single-family residential developments have been completed in the District. Audubon Grove has 51 homes on 23 acres all of which are completed and occupied. In addition, Harper Woods contains 86 townhomes on 16 acres.

Hotel – The District includes a 128-room Marriott Residence Inn on 3.28 acres and a 125-room Marriott Courtyard hotel on 2.92 acres.

Other Development - Centerpoint Energy has completed an electric substation, the Springwoods Station, on approximately 9 acres, from which all electric distribution in City Place will be underground.

Harris County Emergency Services District Nos. 7 and 11 have jointly constructed a fire and EMT station in the District on 3.57 acres.

District Improvements

The District has financed a significant number of amenity features which enhance the various developments in the District. These amenities include the Lower Plaza, a 140-acre Nature Preserve, and an approximately 13-mile trail system some of which is part the 40-mile Harris County Spring Creek Greenway.

FUTURE DEVELOPMENT

Future phases of CHI St. Luke's, City Place Urban Core and the Spear Street Capital vacant land are anticipated, although the District is not aware of any timeline for construction and makes no representation about the likelihood or timing of future phases being completed. In addition, Northside Offices, LLC has purchased approximately 9.5 acres, for which details have not yet been announced.

Harmony Public Schools, a public charter school, acquired an approximately 29-acre site in 2022 from the Principal Developer for a school campus. Construction has begun on the first phase of the campus, Harmony Science Academy – City Place, which will serve grades K-5. The campus site has received an exemption from ad valorem taxes under Texas law.

SRI plans for City Place to contain additional single-family, multi-family, senior residential, corporate, commercial, and retail developments. City Place will contain a 250-acre regional park system, which will include trails, green space, water features, ball parks, as well as other amenities. Additionally, the development and access to City Place is integrated with the Grand Parkway, a 180+ mile circumferential highway traversing seven counties and encircling the greater City region, along the southern boundary of the District.

The District can make no representation as to the likelihood of any of the described future development or any other future development in the District.

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DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and interest requirements on the Outstanding Defined Area Bonds and the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2024	\$ 1,601,863	\$ -	\$ 551,042	\$ 2,152,905
2025	2,092,925	2,725,000	1,599,800	6,417,725
2026	2,110,675	2,405,000	1,490,800	6,006,475
2027	2,121,825	2,370,000	1,394,600	5,886,425
2028	2,141,675	2,340,000	1,299,800	5,781,475
2029	2,154,975	2,305,000	1,206,200	5,666,175
2030	2,175,163	2,265,000	1,114,000	5,554,163
2031	2,192,425	2,230,000	1,023,400	5,445,825
2032	2,206,000	2,190,000	934,200	5,330,200
2033	2,222,269	2,150,000	846,600	5,218,869
2034	2,234,869	2,110,000	760,600	5,105,469
2035	2,252,669	2,125,000	676,200	5,053,869
2036	2,257,919	2,145,000	591,200	4,994,119
2037	2,270,113	2,165,000	505,400	4,940,513
2038	2,283,663	2,185,000	418,800	4,887,463
2039	2,299,400	2,205,000	331,400	4,835,800
2040	2,312,150	2,225,000	243,200	4,780,350
2041	1,501,875	2,245,000	154,200	3,901,075
2042	497,300	1,610,000	64,400	2,171,700
2043	498,650	-	-	498,650
2044	499,550	-	-	499,550
Total	\$ 39,927,950	\$ 39,995,000	\$15,205,842	\$ 95,128,792

Average Annual Requirement on the Bonds and the Outstanding Defined Area Bonds (2024-2044)..... \$ 4,529,942

Maximum Annual Requirement on the Bonds and the Outstanding Defined Area Bonds (2025)..... \$ 6,417,725

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DISTRICT FINANCIAL DATA

Assessed Value

2023 Assessed Valuation of Defined Area No. 1.....	\$ 1,336,260,199 (a)
See "TAX DATA" and "TAXING PROCEDURES."	
Defined Area Direct Debt:	
The Outstanding Defined Area Bonds.....	\$ 29,695,000
The Bonds	<u>39,995,000</u>
Total.....	\$ 69,690,000 (b)
Estimated Overlapping Debt.....	<u>\$ 132,798,446 (c)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 202,488,446 (c)</u>
Ratio of Direct Debt to:	
2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199)	5.22% (b)
Ratio of Direct and Estimated Overlapping Debt to:	
2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199)	15.15%
Defined Area Debt Service Fund Balance (as of April 24, 2024).....	\$ 2,983,750 (d)
District Debt Service Fund Balance (as of April 24, 2024)	\$ 16,495,949
District Operating Fund Balance (as of April 24, 2024).....	\$ 28,448,680
Defined Area Capital Projects Fund Balance (as of April 24, 2024).....	\$ 135,863
District Capital Projects Fund Balance (as of April 24, 2024)	\$ 84,072
2023 Tax Rate	
Debt Service	\$ 0.400
Maintenance & Operation	0.385
Defined Area Debt Service	<u>0.165 (e)</u>
Total.....	<u>\$ 0.950</u>
Average Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2024-2044)	\$ 4,529,942 (f)
Maximum Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2025).....	\$ 6,417,725 (f)
Defined Area Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2024-2044) at 95% Tax Collections: Based Upon 2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199).....	\$ 0.36
Defined Area Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and Outstanding Defined Area Bonds (2025) at 95% Tax Collections: Based Upon 2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199).....	\$ 0.51

-
- (a) Certified taxable assessed value of taxable property within the District valued as of January 1, 2023, as provided by the Appraisal District.
 - (b) The District intends to use the Defined Area tax pledge to make payments on the Outstanding Bonds for the Defined Area. The District intends to use the District Annual Payments received under the terms of the Agreement to make payments of principal and interest due on the Bonds. However, while the District intends to use the District Annual Payments to pay debt service on the Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds.
 - (c) Includes the \$5,435,000 Unlimited Tax Park Bonds, Series 2024, which are scheduled to sell on June 11, 2024, and close on or about July 10, 2024.
 - (d) Neither Texas Law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
 - (e) Such tax rate is composed entirely of a tax for payment of debt service on the Outstanding Defined Area Bonds, the Bonds, and any additional bonds that the District may hereafter issue that are secured by the proceeds of taxes levied upon taxable property located only within the Defined Area.
 - (f) Debt service on the Outstanding Bonds and the Bonds. See "DEBT SERVICE REQUIREMENTS."

Authorized but Unissued Bonds

- Authorized Defined Area Ad Valorem Tax Bonds -

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>The Bonds</u>	<u>Remaining Unissued</u>
11/08/11	Road improvements & Refunding	\$ 1,177,000,000	\$ 35,460,000	\$ 39,995,000	\$ 1,101,545,000

- Authorized Ad Valorem Tax Bonds -

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Remaining Unissued</u>
11/03/09	WS&D & Refunding	\$ 637,000,000	\$ 132,240,000	\$ 504,760,000
11/03/09	Recreational & Refunding	315,600,000	23,635,000 (a)	291,965,000
11/03/09	Firefighting & Refunding	15,100,000	-	15,100,000
11/03/09	Parking Facilities & Refunding	128,000,000	-	128,000,000
11/03/09	Economic Development & Refunding	48,000,000	-	48,000,000
11/03/09	Transit Facilities & Refunding	11,000,000	-	11,000,000
	Total	\$ 1,154,700,000	\$ 155,875,000	\$ 998,825,000

(a) Includes the Park Bonds, which are scheduled to sell on June 11, 2024, and close on or about July 10, 2024.

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service.

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Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of March 31, 2024	Estimated Overlapping	
		Percent	Amount
Harris County	\$ 1,994,511,319	0.20%	\$ 4,086,674
Harris County Flood Control District	991,095,000	0.21%	2,075,455
Port of Houston Authority	426,134,397	0.21%	885,105
Harris County Department of Education	28,960,000	0.20%	58,857
Harris County Hospital District	65,285,000	0.21%	135,566
Lone Star College District	542,435,000	0.43%	2,342,766
Klein ISD	1,381,135,000	0.01%	188,654
Spring ISD	855,450,000	6.75%	57,749,009
The District	122,115,000 (a)	53.45%	65,276,360
Total Estimated Overlapping Debt (a)			\$ 132,798,446
The Defined Area (b)		100.00%	\$ 69,690,000
Total Direct & Estimated Overlapping Debt (a)(b)			\$ 202,488,446

(a) Includes the Park Bonds, which are scheduled to sell on June 11, 2024, and close on or about July 10, 2024. The District intends to use the District Annual Payments received under the Agreement to make payments of principal and interest due on the Bonds and the Park Bonds. However, while the District intends to use the District Annual Payments to pay debt service on the Bonds and the Park Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds or the Park Bonds.

(b) Includes the Bonds.

Debt Ratios

	Direct Debt (a)(b)	Direct and Estimated Overlapping Debt (a)(b)
2023 Assessed Valuation (\$1,336,260,199)	5.22%	15.15%

(a) Includes the Bonds.

(b) The District intends to use the Defined Area tax pledge to make payments on the Outstanding Bonds for the Defined Area. The District intends to use the District Annual Payments received under the terms of the Agreement to make payments of principal and interest due on the Bonds. However, while the District intends to use the District Annual Payments to pay debt service on the Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any previously issued tax-supported bonds of future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.50 per \$100 of assessed valuation for operation and maintenance purposes. For the 2023 tax year, the Board levied a debt service tax rate of \$0.400 per \$100 of assessed valuation, a Defined Area debt service tax rate of \$0.165 per \$100 of assessed valuation, and \$0.385 per \$100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 of Assessed Valuation.
Defined Area Road Maintenance:	\$0.24 per \$100 of Assessed Valuation.
Sales and Use Tax:	1.00% on all sales made within the boundaries of the District.
Hotel Occupancy Tax:	7.00% on the hotels within the boundaries of the District.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

The Board levied a 2023 debt service tax rate of \$0.400 per \$100 of assessed valuation and a Defined Area debt service tax rate of \$0.165 per \$100 of assessed valuation.

Proceeds of the Bonds will be deposited into the Defined Area Capital Projects Fund, to be used for the purpose of funding or reimbursing the Principal Developer for certain Public Improvements Costs for road improvements and for paying the costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS." Any monies remaining in the Defined Area Capital Projects Fund after completion of construction of the road improvements and reimbursement of the Principal Developer will be used as permitted by the Bond Resolutions or ultimately transferred to the Defined Area Debt Service Fund.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 3, 2009, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. The District levied a maintenance and operations tax for 2023 at the rate of \$0.385 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. On November 8, 2011, the Board was authorized to levy a maintenance and operations tax for the Defined Area roads in an amount not to exceed \$0.24 per \$100 of assessed valuation in the Defined Area.

Sales and Use Tax

The District is currently levying a sales and use tax of 1.00% on all sales made within the boundaries of District. The revenues collected are not pledged to the payment of the Bonds.

Hotel Occupancy Tax

The District is currently levying a hotel occupancy tax of 7.00% on the hotels within its boundaries. The revenues collected are not pledged to the payment of the Bonds.

Tax Exemption

As discussed in the section entitled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For the 2023 tax year, the District has granted a \$20,000 tax exemption for residential homesteads of persons who are 65 years of age or older or disabled.

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District, including the Defined Area, for the 2019 through 2023 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/\$100 (a)	Adjusted Levy	% of Collections Current Year	Tax Year Ending	% of Collections as of 03/31/24
2019	\$ 755,665,475	\$0.995000	\$ 7,518,871	99.96%	2020	100.00%
2020	875,213,126	0.980000	8,577,089	99.92%	2021	100.00%
2021	950,974,747	0.950000	9,034,260	99.93%	2022	99.99%
2022	1,071,373,881	0.950000	10,178,052	99.32%	2023	99.98%
2023	1,336,260,199	0.950000	12,694,472	99.73% (b)	2024	99.73% (b)

(a) Includes a tax for maintenance and operation purposes. See "- Tax Rate Distribution" below.

(b) In process of collections.

Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service	\$0.400	\$0.465	\$0.445	\$0.440	\$0.450
Defined Area Debt Service	0.165	0.200	0.215	0.235	0.260
Maintenance	0.385	0.285	0.290	0.305	0.285
	<u>\$0.950</u>	<u>\$0.950</u>	<u>\$0.950</u>	<u>\$0.980</u>	<u>\$0.995</u>

Analysis of Tax Base

The following illustrates the Defined Area's total taxable assessed valuation value for the 2019-2023 tax years by type of property.

Type of Property	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 440,060,184	\$ 423,864,612	\$ 339,064,811	\$ 338,198,880	\$ 330,441,204
Improvements	950,328,492	774,076,220	715,114,203	650,907,704	545,642,938
Personal Property	158,128,690	58,446,298	64,632,701	58,048,624	48,418,107
Exemptions	(212,257,167)	(185,013,249)	(167,836,968)	(171,942,082)	(168,836,774)
Total	\$ 1,336,260,199	\$ 1,071,373,881	\$ 950,974,747	\$ 875,213,126	\$ 755,665,475

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values within the Defined Area as of January 1, 2023:

Taxpayer	Type of Property	Assessed Valuation 2023 Tax Roll	% of Total Assessed Valuation
10000 Energy Drive Owner LP (a)	Office Building/Vacant Land	\$ 177,231,672	13.26%
USODP Mossy Oaks LLC (b)(c)	Office Building	160,808,486	12.03%
HP Plaza SPV LLC	Commercial	135,476,766	10.14%
Springwoods 4A Inc. (b)(c)	Office Building	117,002,041	8.76%
HP Inc.	Commercial Personal Property	92,317,546	6.91%
Springwoods Realty Inc. (b)(d)	Vacant Land	68,061,725	5.07%
Springmark LLC (b)(c)	Multi-Family	66,092,453	4.95%
MLG PF Belvedere Investment LLC ET AL	Multi-Family	63,134,519	4.72%
Springwoods 1B Inc. (b)(c)	Office Building	56,513,314	4.23%
Springwoods III Residential LLC	Multi-Family	56,455,408	4.22%
Total		\$ 993,093,930	74.32%

(a) See "PROPERTY OWNER."

(b) See "THE PRINCIPAL DEVELOPER."

(c) Represents an entity in which SRI, or its affiliates, has an investment position. This entity is not engaged in development in the Defined Area.

(d) Represents the only entity with interests owned by SRI or its affiliates and subsidiaries that is a principal taxpayer engaged in development in the Defined Area and responsible for making the ad valorem tax payments to the Defined Area. The total assessed value attributable to entities with interests owned by SRI or its affiliates and subsidiaries and that engage in development and are responsible for making the ad valorem tax payments is less than 20% of the assessed value of the Defined Area.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the Defined Area debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the Defined Area occurs beyond the 2023 Assessed Valuation of Defined Area No. 1 (\$1,336,260,199). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement on the Bonds and the	
Outstanding Defined Area Bonds (2024-2044).....	\$ 4,529,942
Tax Rate of \$0.36 on the 2023 Assessed Valuation of Defined Area No. 1	\$ 4,570,010
Maximum Annual Debt Service Requirement on the Bonds and the	
Outstanding Defined Area Bonds (2025).....	\$ 6,417,725
Tax Rate of \$0.51 on the 2023 Assessed Valuation of Defined Area No. 1	\$ 6,474,181

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Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2023 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	Spring ISD 2023 Tax Rate Per \$100 of Assessed Value	Klein ISD 2023 Tax Rate Per \$100 of Assessed Value
The District	\$ 0.78500	\$ 0.78500
Defined Area No. 1	0.16500	0.16500
Harris County	0.35007	0.35007
Harris County Flood Control District	0.03105	0.03105
Harris County Hospital District	0.14343	0.14343
Port of Houston Authority	0.00574	0.00574
Lone Star College District	0.10760	0.10760
Klein ISD	--	1.03160
Spring ISD	1.10920	--
Harris County Emergency Services District No. 7 (a)	0.09000	0.09000
Harris County Dept. of Education	0.00480	0.00480
Harris County Emergency Services District No. 11 (a)	(a)	(a)
Estimated Total Tax Rate	\$ 2.79189	\$ 2.71429

(a) A portion of the District lies within Harris County Emergency Service District No. 11 instead of Harris County Emergency Service District No. 7, which levies a lower tax rate of \$0.031075 on the taxable property within its boundaries.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. For the 2023 tax year, the District has granted a \$20,000 tax exemption for residential homesteads of persons who are 65 years of age or older or disabled. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 and prior applicable years, such property is

acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the land within the District), the County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland.

The Property Tax Code requires the 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 (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it

cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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. After the 2024 tax year, through December 31, 2026, the Maximum Property Value 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. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

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 Code.

The Property 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 Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement 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 equal 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 classifies municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

For the 2023 tax year, the District has determined its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

THE SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, and the County. According to the District's Engineer, the design of all such completed facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions. See "INVESTMENT CONSIDERATIONS" herein.

Description of the System

- Water Supply and Distribution -

The District owns and operates a water plant ("Water Plant No. 1") which contains (i) a 1,400 gallons per minute ("gpm") water well ("Water Well No. 1"), (ii) a 1,500 gpm water well ("Water Well No. 2"), (iii) a 60,000 gallon pressure tank, (iv) two (2) ground storage tanks totaling 2,450,000 gallons, and (v) five (5) 1,750 gpm booster pumps for a total booster capacity of 8,750 gpm. The total capacity of the District's existing water supply system is 4,375 equivalent single-family connections ("ESFCs") as stated by the TCEQ in their ARC approval letter dated August 27, 2021.

- Non-Potable Water -

The District owns and operates a non-potable water well ("Non-Potable Well") which contains (i) a 200 gallon per minute ("gpm") non-potable water well and (ii) a 5,000 gallon pressure tank.

- Wastewater -

The District owns and operates a permanent WWTP with a capacity of 1,500,000 gpd. The permanent WWTP currently has the capacity to serve 5,000 ESFCs.

- Drainage -

The northern portion of the District drains overland to Spring Creek. The southern portion of the District drains to tributaries that eventually outfall to Cypress Creek. The District has constructed internal detention and a system of drainage channels in order to serve development within the District. Approximately 339.40 acres lay within the 100-year floodplain, however, no development is planned for such land.

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes and other improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes and other improvements built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to the Engineer, approximately 339.40 acres within the District is located within the 100-year flood plain, however, no development is planned for such land. See “INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster.”

The Park System and the Road System

- Parks -

The District has adopted a master park plan (“Park Plan”) which outlines the development of an approximately 250-acre regional park system and several small neighborhood parks. The Park Plan includes trail systems, landscaping, water amenities, sport parks, green space, and other amenities.

The District has financed a significant number of amenity features which enhance the various developments in the District. These amenities include an approximately 9.5-mile trail system, the City Place Lower Plaza, and West Detention amenities.

- Roads -

Construction of the major thoroughfare road improvements within the boundaries of the Defined Area have been financed with funds advanced by the Principal Developer, with the proceeds of prior series of Defined Area bonds, and with funds received from the County pursuant to the Agreement. The roads within the District vary in width in accordance with standards adopted by the County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

Subsidence and Conversion to Surface Water Supply

The District is located within Area 3 of the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”), the entity which regulates groundwater withdrawal in Harris and Galveston Counties. The District’s ability to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On January 9, 2013, the Subsidence District adopted a Regulatory Plan (the “Regulatory Plan”) to reduce groundwater withdrawal through conversion to surface water consumption by the areas within the Subsidence District’s boundaries. Under the Regulatory Plan, an Area 3 permittee (discussed below) is required to: maintain groundwater withdrawals at no more than 70% of the total annual water demand under permits issued through 2024; reduce and maintain its groundwater withdrawals to no more than 40% of total annual water demand beginning with permits issued in 2025; and reduce and maintain its groundwater withdrawals to no more than 20% of total annual water demand beginning with permits issued in 2035.

The District is also located within the boundaries of the North Harris County Regional Water Authority (the “Water Authority”). The Water Authority was created to accomplish the conversion to surface water by entities within the Subsidence District’s Area 3 in accordance with the Regulatory Plan. To implement the required conversion to surface water in accordance with the Regulatory Plan, the Water Authority has adopted a ground water reduction plan providing for the design, construction and operation of a network of surface water transmission lines, storage tanks, and pumping stations to transport and distribute surface water to the areas within the Water Authority’s boundaries (the “Surface Water Facilities”). The Water Authority has also contracted with the City to secure a long-term supply of surface water. To obtain funding to accomplish its purposes, the Water Authority is currently assessing a groundwater pumpage fee in the amount of \$3.85 per 1,000 gallons of water, which applies to certain water well permittees in its boundaries, including the District. To date, the Water Authority has issued ten series of bonds, of which \$1,535,970,000 principal amount remains outstanding, to finance the Surface Water Facilities and may issue more bonds in the future. The Water Authority bonds are secured by revenues of the Water Authority, including the groundwater pumpage fee.

Currently the Water Authority charges a pumpage fee of \$3.85 per 1,000 gallons of water pumped and a surface water fee of \$4.30 per 1,000 gallons delivered.

For future phases of the Surface Water Facilities, current rules of the Water Authority allow the District to elect to pay for its share of the costs of the Surface Water Facilities through upfront capital contributions, which may be financed by the District through the issuance of bonds.

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

Low Impact Design Standards

The County has adopted design standards for developments within the County to mitigate the environmental impact of development, known as "Low Impact Design ("LID") Standard". The District has adopted the LID Standards in the construction of the District facilities. LID Standard facilities include bioretention, and focal point inlets, among other facilities.

Maintenance Declarations

The District has filed maintenance declarations in the County real property records, whereby the District agrees to maintain certain improvements that have been designed and constructed above the County standards. This includes street landscaping, street lights, street pavers and LID Standard drainage improvements.

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Historical Operations of the System

The following is a summary of the District's Operating Fund for the last 5 years. The figures for the fiscal years ending December 31, 2020, through December 31, 2023, were obtained from the District's audited financial statements, reference to which is hereby made. The figures for the period ending March 31, 2024, are unaudited and were obtained from the April 24, 2024, bookkeepers report.

	Fiscal Year End December 31,				
	2024 (a)	2023	2022	2021	2020
REVENUES					
Charges for Utility Services	\$ 793,749	\$ 4,201,630	\$ 3,747,100	\$ 3,305,868	\$ 3,112,594
Property Taxes	9,226,442	6,266,889	5,753,945	6,139,367	5,621,200
Penalties and Interest	1,250	30,581	27,833	36,643	21,3803
Harris County Property Tax Rebate	-	3,868,360	4,172,799	4,390,624	4,555,051
Sales and Use Taxes	542,399	2,440,376	2,031,558	2,066,134	2,644,798
Tap Connection and Inspection Fees	91,250	236,000	13,070	12,535	354,001
Capital Recovery Fees	-	-	-	-	-
Miscellaneous	-	74,176	80,261	74,687	74,328
Investment Earnings	187,500	1,295,395	375,045	28,575	186,845
TOTAL REVENUES	\$ 10,882,590	\$ 18,413,407	\$ 22,311,482	\$ 16,054,433	\$ 16,570,200
EXPENSES					
Current					
Professional Fees	\$ 350,000	\$ 1,159,826	\$ 1,282,918	\$ 1,539,839	\$ 1,321,999
Contracted Services	405,250	1,884,465	1,302,038	1,393,174	1,418,189
Repairs and Maintenance	931,125	4,287,334	3,887,791	3,451,625	3,123,212
Regional Water Authority Fees	238,000	1,567,881	1,407,632	1,259,196	1,010,327
Utilities	435,425	241,074	200,584	195,068	196,301
Tree Farm Ground Lease	7,500	60,000	60,000	60,000	60,000
Administrative	73,869	161,998	150,708	148,775	135,358
Miscellaneous	5,550	16,086	22,671	26,419	38,941
Capital Outlay	81,864	6,338,483	6,281,165	6,189,408	1,841,575
Developer Interest	-	1,776,002	1,955,087	2,465,355	3,618,188
TOTAL EXPENSES	\$ 2,528,583	\$ 17,493,149	\$ 16,550,594	\$ 16,728,859	\$ 12,764,090
Revenues Over (Under) Expenses	\$ 8,354,007	\$ 920,258	\$ (348,983)	\$ (674,426)	\$ 3,806,110

(a) Unaudited.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, the County, the City, 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 located within the District. See “THE BONDS – Source and Security for Payment.” The ultimate security for payment of 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. The collection by the District of delinquent taxes owed to it and the enforcement by the Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “Registered Owners’ Remedies and Bankruptcy” below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing and commercial development industry in the Houston metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See “DEVELOPMENT WITHIN THE DISTRICT.”

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 24 miles north from the central business district of the City of Houston and approximately 2 miles south of The Woodlands, a 28,000-acre master-planned community. As a result, particularly during times of increased competition, the Principal Developer, the Other Developers and home builders within the District may be at a competitive disadvantage to the developers and home builders in other single-family projects located closer to major urban centers or in a more developed state. See “THE DISTRICT” and “DEVELOPMENT WITHIN THE DISTRICT.”

Principal Taxpayers’ Obligations to the Defined Area: 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 Defined Area’s top principal taxpayers in 2023 owned a majority (approximately 74.32%) of the property, including personal property, located in the District. 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 Defined Area’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 Defined Area taxpayers did not pay taxes due, the Defined Area might need to levy additional taxes to meet its debt service requirements.

The District intends to use District Annual Payments received under the terms of the Agreement to make payments of principal and interest due on the Bonds. However, while the District intends to use District Annual Payments to pay debt service on the Bonds, the District Annual Payments are not pledged to the payment of debt service on the Bonds.

The District can make no representation that the taxable property values in the Defined Area 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. The District levied a maintenance tax of \$0.385 per \$100 of assessed valuation, a District debt service tax rate of \$0.400 per \$100 of assessed valuation, and a Defined Area debt service tax rate of \$0.165 per \$100 of assessed valuation for 2023.

Competition: The demand for and construction of taxable improvements in the District, including the Defined Area, could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District, including the Defined Area.

The Principal Developer's, Spear Street, and any other landowner or developer within the District's ability to sell land is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. Many of the single-family developments with which the District competes are in a more developed state and have lower tax rates. The District can give no assurance that building and marketing programs in the District by the Principal Developer, Spear Street, and any other landowner or developer within the District will be implemented or, if implemented, will be successful.

Developer Under No Obligation to the District: The Principal Developer has informed the District of its current plans to continue to develop and sell land in the District for residential and commercial purposes. However, neither the Principal Developer, Spear Street, nor any other landowner or developer within the District are obligated to implement such plan on any particular schedule at all. Thus, the furnishing of information related to the proposed development by the Principal Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Principal Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Principal Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Principal Developer, Spear Street, or any other landowner or developer within the District. Failure to construct taxable improvements on developed lots and tracts and failure of the Principal Developer, Spear Street, and any other landowner or developer within the District to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Principal Developer, Spear Street, and any other landowner or developer within the District (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Principal Developer, Spear Street, or any other landowner or developer within the District will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE PRINCIPAL DEVELOPER" and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District, including the Defined Area, will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2023 Assessed Valuation of the Defined Area is \$1,336,260,199. The Maximum Annual Debt Service Requirement for the Bonds is \$6,417,725 (2025) and the Average Annual Debt Service Requirement for the Bonds is \$4,529,942 (2024-2044). Assuming no increase to nor decrease from the 2023 Assessed Taxable Valuation of the Defined Area, tax rates of \$0.51 and \$0.36 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirement, respectively. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt."

The District can make no representation that the taxable property values in the Defined Area will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payments of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, including the Defined Area, the sale and construction of property within the District, including the Defined Area, and the ability of the District to collect, and the willingness of owners of property located within the District, including the Defined Area, to pay ad valorem taxes levied by the District.

Fluctuations in Principal Taxpayer Values: Development in the District is comprised predominantly of commercial, office and multi-family improvements. Such users often protest the taxable values determined by the Appraisal District, which can result in reductions in the taxable value of the District. If any of the District's principal taxpayers are successful in protesting their values, it could negatively impact the District's financial position. The District does not make any representations regarding the likelihood of any future protests nor the likely outcome of any such protest.

Potential Impact of Natural Disaster

The District is located along the Texas Gulf Coast and, as it has in the past, the areas in and around the District could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced,

resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from weather-related events.

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.

Potential Effects of Oil Price Changes on the Houston Area

The sudden change in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard,

should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

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

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

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

Marketability

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference

between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Bond Insurance Risk Factors

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

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

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

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

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

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

Continuing Compliance with Certain Covenants

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

Future Debt

Following the issuance of the Bonds, \$1,101,545,000 principal amount of Defined Area unlimited tax and refunding bonds for road improvements will remain authorized but unissued. All of these bonds, if issued, will be secured by ad valorem taxes levied on property within the Defined Area.

The District may issue additional bonds. The District's voters have authorized: (i) \$637,000,000 principal amount of unlimited tax bonds for improvements to the System and for refunding purposes; (ii) \$315,600,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes; (iii) \$15,100,000 principal amount of unlimited tax bonds for firefighting facilities and for refunding purposes; (iv) \$128,000,000 principal amount of unlimited tax and refunding bonds for public parking facilities and refunding

purposes; (v) \$48,000,000 principal amount of unlimited tax bonds for economic development projects and for refunding purposes; and (vi) \$11,000,000 principal amount of unlimited tax bonds for transit facilities and for refunding purposes. To date, the District has issued an aggregate \$132,240,000 principal amount of unlimited tax bonds for improvements to the System and refunding purposes and an aggregate \$23,635,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes. As of the Date of Delivery, \$504,760,000 principal amount of unlimited tax bonds for improvements to the System and for refunding purposes, \$15,100,000 principal amount of unlimited tax bonds for firefighting facilities and for refunding purposes, \$128,000,000 principal amount of unlimited tax bonds for public parking facilities and for refunding purposes, \$48,000,000 principal amount of unlimited tax bonds for economic development projects and for refunding purposes, and \$11,000,000 principal amount of unlimited tax bonds for transit facilities and for refunding purposes remain authorized but unissued. As of delivery of the Park Bonds, \$291,965,000 principal amount of unlimited tax bonds for park and recreational facilities and for refunding purposes remains authorized but unissued. The District makes no representation as to the timing of the issuance of additional bonds.

The Defined Area anticipates issuing unlimited tax bonds for road improvements to serve the Defined Area in 2024. Additionally, the District anticipates issuing unlimited tax bonds for park and recreational facilities to serve the District in 2024. The par amount of Bonds for the Defined Area and the District are yet to be determined.

Following the issuance of the Bonds, the District will owe the Principal Developer approximately \$45,000,000 for the reimbursable expenditures advanced for road improvements. Further after issuance of the Park Bonds, the District will owe the Principal Developer approximately \$2,900,000 for expenditures advanced for water, sewer, and drainage facilities and park and recreational facilities within the District. See “THE SYSTEM” and “DEVELOPMENT WITHIN THE DISTRICT.”

Approval of the Bonds

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

Consolidation

Under Texas law, the District may be consolidated with other municipal management districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

Subsidence and Conversion to Surface Water Supply

The District is located within Harris-Galveston Subsidence District. See “THE SYSTEM – Subsidence and Conversion to Surface Water Supply.”

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Proceedings

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 Defined Area and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted

financial statement income of applicable corporations (as defined in section 59(k) of the Code (as defined below)) for the purpose of computing the alternative minimum tax imposed on corporations.

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

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

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

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's

Financial Advisor, and the Initial Purchaser, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations 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 IRS. Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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

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

Bond Counsel's opinions are based on existing law which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. 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 may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided

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

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

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

Not Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has 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 to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information via EMMA.

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 month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax 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 other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, 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. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities law. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of 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 the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as

such changed circumstances, and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions:

"THE DISTRICT" and "THE SYSTEM; "THE PRINCIPAL DEVELOPER", "DEVELOPMENT WITHIN THE DISTRICT", and "FUTURE DEVELOPMENT"; "TAX DATA"; "THE BONDS", "CONTINUING DISCLOSURE OF INFORMATION", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS."

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM," has been provided by Half Associates, Inc., and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by Assessments of the Southwest, Inc. and HCAD, in reliance upon their authority as experts in appraising and tax assessing.

The Principal Developer: The information contained in the Official Statement relating to the developers and development in the District and, in particular such information contained in the sections captioned "THE PRINCIPAL DEVELOPER," "DEVELOPMENT WITHIN THE DISTRICT," and "FUTURE DEVELOPMENT" has been provided by the Principal Developer in reliance upon their authority as experts in with respect to development within the District.

Updating of Official Statement

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

Certification as to Official Statement

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

This Official Statement was approved by the Board of Directors of Harris County Improvement District No. 18, as of the date shown on the first page hereof.

/s/ Robert T. Deden
President, Board of Directors
Harris County Improvement District No. 18

ATTEST:

/s/ Sue Darcy
Secretary, Board of Directors
Harris County Improvement District No. 18

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**HARRIS COUNTY IMPROVEMENT
DISTRICT NO. 18**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

December 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 Improvement District No. 18
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Improvement District No. 18 (the "District"), as of and for the year ended December 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 Improvement District No. 18, as of December 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

***Board of Directors
Harris County Improvement District No. 18
Harris County, Texas***

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.

W. G. Gatt & Co., P.C.

Houston, Texas
April 24, 2024

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Management's Discussion and Analysis

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***Harris County Improvement District No. 18
Management's Discussion and Analysis
December 31, 2023***

Using this Annual Report

Within this section of the financial report of Harris County Improvement District No. 18 (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 December 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).

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

***Harris County Improvement District No. 18
Management's Discussion and Analysis
December 31, 2023***

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 December 31, 2023, was negative \$5,586,915. The District has financed certain road facilities, which have been conveyed to and assumed by Harris County for maintenance and other incidents of ownership, which has caused long term debt to be in excess of capital assets. A comparative summary of the District's overall financial position, as of December 31, 2023 **and 2022**, is as follows:

	<u>2023</u>	<u>2022</u>
Current assets	\$ 58,597,481	\$ 55,552,122
Capital assets	<u>135,995,349</u>	<u>138,483,124</u>
Total assets	<u>194,592,830</u>	<u>194,035,246</u>
Total deferred outflows of resources	<u>71,327</u>	<u>76,422</u>
Current liabilities	9,564,401	9,316,347
Long-term liabilities	<u>168,846,014</u>	<u>177,045,557</u>
Total liabilities	<u>178,410,415</u>	<u>186,361,904</u>
Total deferred inflows of resources	<u>21,840,657</u>	<u>19,557,411</u>
Net position		
Net investment in capital assets	17,635,759	13,634,083
Restricted	11,120,991	8,372,053
Unrestricted	<u>(34,343,665)</u>	<u>(33,813,783)</u>
Total net position	<u>\$ (5,586,915)</u>	<u>\$ (11,807,647)</u>

***Harris County Improvement District No. 18
Management's Discussion and Analysis
December 31, 2023***

The total net position of the District increased during the current fiscal year by \$6,220,732. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues	\$ 4,468,211	\$ 3,788,003
General revenues	29,267,341	25,005,410
Total revenues	<u>33,735,552</u>	<u>28,793,413</u>
Expenses		
Water and sewer operations	6,179,794	5,498,287
Administrative	3,499,897	3,081,240
Developer interest	1,776,002	1,955,087
Debt interest and fees	4,963,796	5,167,208
Tourism expenses	1,263,652	865,314
Transfers to other governments	6,319,189	2,539,529
Depreciation/amortization	3,512,490	3,408,763
Total expenses	<u>27,514,820</u>	<u>22,515,428</u>
Change in net position	6,220,732	6,277,985
Net position, beginning of year	<u>(11,807,647)</u>	<u>(18,085,632)</u>
Net position, end of year	<u>\$ (5,586,915)</u>	<u>\$ (11,807,647)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2023, were \$34,955,357, which consists of \$22,073,314 in the General Fund, \$9,394,328 in the Debt Service Fund, \$219,000 in the Capital Projects Fund and \$3,268,715 in the Hotel Occupancy Tax Fund.

General Fund

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

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 33,265,419</u>	<u>\$ 29,258,698</u>
Total liabilities	\$ 1,556,497	\$ 1,483,365
Total deferred inflows	9,635,608	6,559,128
Total fund balance	<u>22,073,314</u>	<u>21,216,205</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 33,265,419</u>	<u>\$ 29,258,698</u>

***Harris County Improvement District No. 18
Management's Discussion and Analysis
December 31, 2023***

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

	2023	2022
Total revenues	\$ 18,413,407	\$ 16,201,611
Total expenditures	(17,493,149)	(16,550,594)
Revenues over/(under) expenditures	920,258	(348,983)
Other change in fund balance	(63,149)	
Net change in fund balance	<u>\$ 857,109</u>	<u>\$ (348,983)</u>

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, the provision of water and sewer services to customers within the District, tap connection fees charged to builders and developers in the District, a sales and use tax levy and Harris County property tax rebates. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2022 levy was recognized as revenues in the 2023 fiscal year, while the 2021 levy was recognized in the 2022 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Revenues from utility services are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Harris County property tax rebates are dependent upon development within the District and amounts collected by Harris County and will fluctuate from year to year.
- Tap connection fees fluctuate with builders and developers activity within the District.
- Sales and use tax revenues are dependent on consumer spending and sales activity on all taxable goods and services located within the District's boundaries and will fluctuate from year to year.

Debt Service Fund

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

	2023	2022
Total assets	<u>\$ 21,806,492</u>	<u>\$ 20,303,861</u>
Total liabilities	\$ 140,932	\$ 21,194
Total deferred inflows	12,271,232	13,013,247
Total fund balance	<u>9,394,328</u>	<u>7,266,420</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 21,806,492</u>	<u>\$ 20,300,861</u>

***Harris County Improvement District No. 18
Management's Discussion and Analysis
December 31, 2023***

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 13,174,916	\$ 11,106,520
Total expenditures	<u>(11,047,008)</u>	<u>(10,985,953)</u>
Revenues over expenditures	<u>\$ 2,127,908</u>	<u>\$ 120,567</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. 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 December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	\$ 219,000	\$ 3,130,809
Total liabilities	\$ -	\$ 63,553
Total fund balance	<u>219,000</u>	<u>3,067,256</u>
Total liabilities and fund balance	<u>\$ 219,000</u>	<u>\$ 3,130,809</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 149,988	\$ 55,901
Total expenditures	<u>(3,061,393)</u>	<u>(151,069)</u>
Revenues under expenditures	(2,911,405)	(95,168)
Other change in fund balance	63,149	
Net change in fund balance	<u>\$ (2,848,256)</u>	<u>\$ (95,168)</u>

The District's capital asset activity in the current fiscal year was financed with the use of bond proceeds from bonds issued in previous years. The District did not have any significant capital asset activity during the prior fiscal year.

***Harris County Improvement District No. 18
Management’s Discussion and Analysis
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Hotel Occupancy Tax Fund

The Hotel Occupancy Tax Fund is used to account for the receipt and expenditure of hotel occupancy taxes levied by the District which are restricted to the purposes of promoting tourism and supporting the hotel/convention industry, pursuant to Texas Tax Code, Chapter 357. A comparative summary of the Hotel Occupancy Tax Fund’s financial position as of December 31, 2023 **and 2022**, is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 3,306,570</u>	<u>\$ 2,858,754</u>
Total liabilities	\$ 37,855	\$ 110,994
Total fund balance	<u>3,268,715</u>	<u>2,747,760</u>
Total liabilities and fund balance	<u>\$ 3,306,570</u>	<u>\$ 2,858,754</u>

A comparative summary of activities for the Hotel Occupancy Tax Fund’s current and prior fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 1,946,022	\$ 1,854,796
Total expenditures	<u>(1,425,067)</u>	<u>(1,023,233)</u>
Revenues over expenditures	<u>\$ 520,955</u>	<u>\$ 831,563</u>

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 did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$5,846,612 greater than budgeted. The *Budgetary Comparison Schedule* on page 42 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.

***Harris County Improvement District No. 18
Management's Discussion and Analysis
December 31, 2023***

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

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 39,552,517	\$ 36,880,563
Construction in progress	<u>1,176,729</u>	<u>5,314,103</u>
	<u>40,729,246</u>	<u>42,194,666</u>
Capital assets being depreciated/amortized		
Water, sewer and drainage facilities	93,299,612	92,218,755
Roads	749,238	749,238
Other facilities and equipment	2,863,137	2,188,748
Recreational facilities	5,980,009	5,980,009
Landscaping improvements	19,207,720	18,472,831
Right-to-use lease asset	<u>329,005</u>	<u>329,005</u>
	<u>122,428,721</u>	<u>119,938,586</u>
Less accumulated depreciation/amortization		
Water, sewer and drainage facilities	(17,828,775)	(15,689,469)
Roads	(493,802)	(445,427)
Other facilities and equipment	(674,447)	(546,674)
Recreational facilities	(1,176,778)	(978,211)
Landscaping improvements	(6,923,015)	(5,961,507)
Right-to-use lease asset	<u>(65,801)</u>	<u>(28,840)</u>
	<u>(27,162,618)</u>	<u>(23,650,128)</u>
Capital assets being depreciated, net	<u>95,266,103</u>	<u>96,288,458</u>
Total capital assets, net	<u>\$ 135,995,349</u>	<u>\$ 138,483,124</u>

Capital asset additions during the current year include the following:

- Town Lake Corridor pond 1 land acquisition
- Streetlights to serve Energy Drive 2B
- Streetlights to serve Springwoods Village Parkway phase IV
- Utilities to serve Springwoods Village Parkway phase IV
- Audubon Grove playground fencing
- Spring Grove Park Trail improvements

The District's construction in progress is for the construction of various infrastructure and road improvements and landscaping improvements.

Harris County assumes responsibility for all public roads constructed within the county; however, the District retains, by maintenance declaration agreements, responsibility for enhancements on roadways (water and sanitary sewer lines, conduit, traffic signals, sidewalks, streetlights, pavers, landscaping, and bioswales). The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended December 31, 2023, capital assets in the amount of \$6,319,189 have been recorded as transfers to other governments in the government-wide statements.

***Harris County Improvement District No. 18
Management's Discussion and Analysis
December 31, 2023***

Lease Obligations

The District has entered into a rooftop lease obligation for telecommunication facilities. The District recognized a right-to-use leased asset and lease obligation in the amount of \$329,005 for this lease. The balance due for the lease as of December 31, 2023, was \$269,122.

Long-Term Debt and Related Liabilities

As of December 31, 2023, the District owes approximately \$29,790,801 to developers for completed projects and amounts paid for construction in progress. 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 December 31, 2023 **and 2022**, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2014	\$ 42,190,000	\$ 44,015,000
2015	17,095,000	17,775,000
2015 Parks	12,625,000	13,125,000
Defined Area No. 1 Series 2016 Road	9,645,000	10,020,000
2016	29,815,000	31,050,000
Defined Area No. 1 Series 2017 Road	12,520,000	12,980,000
2019	6,480,000	6,685,000
2019 Parks	1,745,000	1,800,000
Defined Area No. 1 Series 2019 Road	7,530,000	7,780,000
2020 Refunding	6,730,000	7,095,000
	\$ 146,375,000	\$ 152,325,000

At December 31, 2023, the District has the following bonds authorized, but unissued:

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	\$ 637,000,000	\$ 132,240,000	\$ 504,760,000
Road (Defined Area No. 1 only)	1,177,000,000	35,460,000	1,141,540,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	18,200,000	297,400,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	\$ 2,331,700,000	\$ 185,900,000	\$ 2,145,800,000

*Harris County Improvement District No. 18
 Management's Discussion and Analysis
 December 31, 2023*

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, sales and use taxes, and utility services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 18,413,407	\$ 17,294,320
Total expenditures	<u>(17,493,149)</u>	<u>(13,513,562)</u>
Revenues over expenditures	920,258	3,780,758
Other changes in fund balance	<u>(63,149)</u>	
Net change in fund balance	857,109	3,780,758
Beginning fund balance	<u>21,216,205</u>	<u>22,073,314</u>
Ending fund balance	<u><u>\$ 22,073,314</u></u>	<u><u>\$ 25,854,072</u></u>

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Basic Financial Statements

Harris County Improvement District No. 18
Statement of Net Position - Governmental Activities
December 31, 2023

Assets	
Cash	\$ 1,209,342
Investments	34,422,088
Property taxes receivable	21,383,599
Customer service receivables	489,502
Sales and use taxes receivable	475,249
Hotel occupancy taxes receivable	440,852
Accrued interest receivable	77,130
Other receivables	43,192
Prepaid items	56,527
Capital assets not being depreciated	40,729,246
Capital assets, net	95,266,103
Total Assets	<u>194,592,830</u>
 Deferred Outflows of Resources	
Deferred difference on refunding	<u>71,327</u>
 Liabilities	
Accounts payable	1,262,709
Other payables	143,432
Accrued interest payable	1,596,832
Customer deposits	329,143
Due to developers	29,790,801
Obligations under leases	
Due within one year	32,285
Due after one year	236,837
Long-term debt	
Due within one year	6,200,000
Due after one year	138,818,376
Total Liabilities	<u>178,410,415</u>
 Deferred Inflows of Resources	
Deferred property taxes	<u>21,840,657</u>
 Net Position	
Net investment in capital assets	17,635,759
Restricted for debt service	7,852,276
Restricted for other services	3,268,715
Unrestricted	(34,343,665)
Total Net Position	<u>\$ (5,586,915)</u>

See notes to basic financial statements.

*Harris County Improvement District No. 18
Statement of Activities - Governmental Activities
For the Year Ended December 31, 2023*

Expenses

Water and sewer operations

Regional Water Authority fees	\$ 1,567,881
Tap connection and inspection	83,505
Repairs and maintenance	4,287,334
Utilities	241,074

Administrative

Professional fees	1,178,081
Contracted services	2,076,054
Lease	60,000
Administrative	169,676
Miscellaneous	16,086
Developer interest	1,776,002
Interest and fees	4,951,789
Lease - interest	12,007
Tourism	1,263,652

Intergovernmental

Transfers to other governments	6,319,189
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Depreciation/amortization

3,512,490

Total Expenses

27,514,820

Program Revenues

Charges for utility services	4,201,630
Tap connection and inspection	236,000
Penalties and interest	30,581
Total program revenues	<u>4,468,211</u>

Net Program Expense

(23,046,609)

General Revenues

Property taxes	18,623,769
Sales and use taxes	2,440,376
Hotel occupancy taxes	1,807,030
Penalties and interest	147,659
Harris County property tax rebate	3,868,360
Miscellaneous	75,476
Investment earnings	2,304,671
Total general revenues	<u>29,267,341</u>

Revenues Over Expenses

6,220,732

Net Position

Beginning of the year

(11,807,647)

End of the year

\$ (5,586,915)

See notes to basic financial statements.

Harris County Improvement District No. 18
Balance Sheet - Governmental Funds
December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Hotel Occupancy Tax Fund	Total
Assets					
Cash	\$ 568,606	\$ 466,385	\$ 2,050	\$ 172,301	\$ 1,209,342
Investments	21,767,651	9,691,440	216,950	2,746,047	34,422,088
Property taxes receivable	9,420,500	11,963,099			21,383,599
Customer service receivables	489,502				489,502
Sales and use taxes receivable	475,249				475,249
Hotel occupancy taxes receivable				440,852	440,852
Internal balances	408,581	(355,951)		(52,630)	
Accrued interest receivable	35,611	41,519			77,130
Other receivables	43,192				43,192
Prepaid items	56,527				56,527
Total Assets	\$ 33,265,419	\$ 21,806,492	\$ 219,000	\$ 3,306,570	\$ 58,597,481
Liabilities					
Accounts payable	\$ 1,224,854	\$ -	\$ -	\$ 37,855	\$ 1,262,709
Other payables	2,500	140,932			143,432
Customer deposits	329,143				329,143
Total Liabilities	1,556,497	140,932		37,855	1,735,284
Deferred Inflows of Resources					
Deferred property taxes	9,635,608	12,271,232			21,906,840
Fund Balances					
Nonspendable	56,527				56,527
Restricted		9,394,328	219,000	3,268,715	12,882,043
Unassigned	22,016,787				22,016,787
Total Fund Balances	22,073,314	9,394,328	219,000	3,268,715	34,955,357
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 33,265,419	\$ 21,806,492	\$ 219,000	\$ 3,306,570	\$ 58,597,481

See notes to basic financial statements.

Harris County Improvement District No. 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2023

Total fund balance, governmental funds \$ 34,955,357

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 163,157,967	
Less accumulated depreciation/amortization	(27,162,618)	
Change due to capital assets		135,995,349

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

71,327

Certain 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	(145,018,376)	
Accrued interest payable	(1,596,832)	
Change due to debt		(146,615,208)

Amounts due to the District's developers for construction costs and other costs are recorded as a liability in the *Statement of Net Position*.

(29,790,801)

Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(269,122)

Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable and collections of the 2023 levy. In the government-wide statements, however, deferred inflows consist of the entire 2023 property tax levy.

Fund level deferred property taxes	21,906,840	
Government-wide level deferred property taxes	(21,840,657)	
Change due to deferred inflows		66,183

Total net position - governmental activities	\$ (5,586,915)
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See notes to basic financial statements.

Harris County Improvement District No. 18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Hotel Occupancy Tax Fund	Total
Revenues					
Charges for utility services	\$ 4,201,630	\$ -	\$ -	\$ -	\$ 4,201,630
Property taxes	6,266,889	12,315,850			18,582,739
Penalties and interest	30,581	137,470			168,051
Harris County property tax rebate	3,868,360				3,868,360
Sales and use taxes	2,440,376				2,440,376
Tap connection and inspection fees	236,000				236,000
Hotel occupancy taxes				1,807,030	1,807,030
Miscellaneous	74,176	1,300			75,476
Investment earnings	1,295,395	720,296	149,988	138,992	2,304,671
Total Revenues	18,413,407	13,174,916	149,988	1,946,022	33,684,333
Expenditures					
Current					
Professional fees	1,159,826		4,896	13,359	1,178,081
Contracted services	1,884,465	166,626	3,501	104,967	2,159,559
Repairs and maintenance	4,287,334				4,287,334
Regional Water Authority fees	1,567,881				1,567,881
Utilities	241,074				241,074
Ground lease	60,000				60,000
Administrative	161,998	7,369	270	39	169,676
Tourism				1,263,652	1,263,652
Miscellaneous	16,086				16,086
Capital outlay	6,338,483		3,052,726		9,391,209
Debt service					
Principal		5,950,000			5,950,000
Developer interest	1,776,002				1,776,002
Interest and fees		4,923,013			4,923,013
Lease - principal				31,043	31,043
Lease - interest				12,007	12,007
Total Expenditures	17,493,149	11,047,008	3,061,393	1,425,067	33,026,617
Revenues Over/(Under) Expenditures	920,258	2,127,908	(2,911,405)	520,955	657,716
Other Financing Sources/(Uses)					
Internal transfers	(63,149)		63,149		
Net change in fund balances	857,109	2,127,908	(2,848,256)	520,955	657,716
Fund Balances					
Beginning of the year	21,216,205	7,266,420	3,067,256	2,747,760	34,297,641
End of the year	\$ 22,073,314	\$ 9,394,328	\$ 219,000	\$ 3,268,715	\$ 34,955,357

See notes to basic financial statements.

***Harris County Improvement District No. 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2023***

Net change in fund balances - total governmental funds		\$ 657,716
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference consists of property taxes and penalties and interest.		51,219
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the <i>Statement of Activities</i> , the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	\$ 9,391,209	
Depreciation/amortization expense	<u>(3,512,490)</u>	5,878,719
The District conveys certain roads to Harris County upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.		(6,319,189)
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 position. Other elements of debt financing are reported differently between the fund and government-wide statements.		
Principal payments	5,950,000	
Interest expense accrual	<u>(28,776)</u>	5,921,224
Lease principal payments are recorded as an expenditure in the fund, but reduce obligations under leases in the government wide statements.		31,043
Change in net position of governmental activities		<u><u>\$ 6,220,732</u></u>

See notes to basic financial statements.

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Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Improvement District No. 18 (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 Senate Bill No. 2510, Acts 2009, 81st Legislature, Regular Session, later codified as Chapter 3879, Texas Special District Local Laws Code, dated June 19, 2009, and operates in accordance with Sections 52 and 52-a, Article III, and Section 59, Article XVI, Texas Constitution, as well as Chapter 375, Texas Local Government Code and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 23, 2009, and the first bonds were issued on March 28, 2013.

The District was established to facilitate the economic development of land within its boundaries, to promote economic development, safety and public welfare through the construction, maintenance and operation of (1) water, sewer and drainage facilities, (2) roads and road improvements, (3) recreational facilities, (4) parking facilities, (5) firefighting facilities, and (6) public transit systems. The District transfers public road facilities to Harris County 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 contracted with off duty deputies and pays applicable payroll taxes. The District has no other employees, related payroll or pension costs. On August 24, 2011, the District created a special defined area within the District (the “Defined Area”) pursuant to Texas Law for the purpose of financing public roads and related improvements within the Defined Area.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an appointed 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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*.

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 four 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’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, sales and use taxes, Harris County property tax rebates and charges for utility services. 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 source of revenue for debt service is property taxes. 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 capital asset facilities.
- The Hotel Occupancy Tax Fund is used to account for revenues received from hotel occupancy taxes that are restricted to expenditures used to enhance and promote tourism and convention and hotel industry, pursuant to Texas Tax Code, Chapter 357.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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, sales and use taxes, hotel occupancy taxes, interest earned on investments and income from District operations. 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.

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 December 31, 2023, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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. Right-to-use leased assets are valued at the present value of lease payments. 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.

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

Assets	Useful Life
Water, sewer and drainage facilities	40-45 years
Roads	15-30 years
Other facilities and equipment	20-30 years
Recreational facilities	10-30 years
Equipment	5 years
Landscaping improvements	20 years
Right-to-use leased asset	10 years

The District’s detention facilities 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. Additionally, collections of the 2023 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense. Deferred inflows of financial resources at the government-wide level consist of the 2023 property tax levy, which was levied to finance the 2024 fiscal year.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, property taxes levied for debt service in the Debt Service Fund, and unspent hotel occupancy tax collections in the Hotel Occupancy Tax 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.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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 value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to other entities 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 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) 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.

Use of Surplus Funds

During the current year, the District used surplus funds in the amount of \$2,985,393 from the Defined Area No. 1 Series 2019 Unlimited Tax Road Bonds and \$2,580,000 from the General Fund to fund land acquisition costs.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 2 – 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 December 31, 2023, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,645,000	8%	N/A	N/A
	Debt Service	1,175,000			
		<u>2,820,000</u>			
Texas CLASS	General	20,122,651	92%	AAAm	50 days
	Debt Service	8,516,440			
	Capital Projects	216,950			
	Hotel Occupancy Tax	2,746,047			
		<u>31,602,088</u>			
Total		<u>\$ 34,422,088</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 2 – Deposits and Investments (continued)

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District’s investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

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 3 – Interfund Balances and Transactions

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General	Debt Service	\$ 355,951	Maintenance tax collections not remitted as of year end.
General	Hotel Occupancy Tax	52,630	Hotel tax fund expenditures 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.

A summary of internal transfers for the current fiscal year is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
General	Capital Projects	\$ 63,149	Retainage paid by the General Fund.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 4 – Capital Assets

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

	Beginning Balances	Additions	Adjustments/ Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 36,880,563	\$ 2,671,954	\$ -	\$ 39,552,517
Construction in progress	5,314,103	512,261	(4,649,635)	1,176,729
	<u>42,194,666</u>	<u>3,184,215</u>	<u>(4,649,635)</u>	<u>40,729,246</u>
Capital assets being depreciated/amortized				
Water, sewer and drainage facilities	92,218,755	1,080,857		93,299,612
Roads	749,238			749,238
Other facilities and equipment	2,188,748	674,389		2,863,137
Recreational facilities	5,980,009			5,980,009
Landscaping improvements	18,472,831	734,889		19,207,720
Right-to-use lease asset	329,005			329,005
Subtotal	<u>119,938,586</u>	<u>2,490,135</u>		<u>122,428,721</u>
Less accumulated depreciation/amortization				
Water, sewer and drainage facilities	(15,689,469)	(2,139,306)		(17,828,775)
Roads	(445,427)	(48,375)		(493,802)
Other facilities and equipment	(546,674)	(127,773)		(674,447)
Recreational facilities	(978,211)	(198,567)		(1,176,778)
Landscaping improvements	(5,961,507)	(961,508)		(6,923,015)
Right-to-use lease asset	(28,840)	(36,961)		(65,801)
Subtotal	<u>(23,650,128)</u>	<u>(3,512,490)</u>		<u>(27,162,618)</u>
Capital assets being depreciated, net	<u>96,288,458</u>	<u>(1,022,355)</u>		<u>95,266,103</u>
Total capital assets, net	<u>\$ 138,483,124</u>	<u>\$ 2,161,860</u>	<u>\$ (4,649,635)</u>	<u>\$ 135,995,349</u>

Depreciation/amortization expense for the current year was \$3,512,490.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid to Date	Remaining Amount
Spring Creek Greenway Trail Extension	\$ 483,843	\$ -	\$ 483,843

Note 5 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of various public 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 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.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 5 – Due to Developers (continued)

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

Due to developers, beginning of year	\$ 31,838,106
Developers funded construction and adjustments	5,610,447
Amounts paid to developers for capital assets	<u>(7,657,752)</u>
Due to developers, end of year	<u><u>\$ 29,790,801</u></u>

Note 6 – Lease Obligations

On October 1, 2021, the District entered into a rooftop lease agreement. This lease is for a ten-year term with payments commencing October 1, 2021. The lease agreement shall automatically be extended on a year-to-year basis after the initial term for an additional 5 years and then go year to year, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$329,005, which is measured at the present value of future payments using an estimated incremental borrowing rate of 4%. The remaining balance of the liability at December 31, 2023, is \$269,122. The annual payment for the lease is \$43,050, which includes principal and interest components and will increase by 2.5% every other year.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year	Principal	Interest	Total
2024	\$ 32,285	\$ 10,765	\$ 43,050
2025	34,653	9,473	44,126
2026	36,039	8,087	44,126
2027	38,583	6,646	45,229
2028	40,127	5,102	45,229
2029	42,863	3,497	46,360
2030	44,572	1,788	46,360
	<u>\$ 269,122</u>	<u>\$ 45,358</u>	<u>\$ 314,480</u>
Due within one year	<u>\$ 32,285</u>	<u>\$ 10,765</u>	<u>\$ 43,050</u>

In addition to these leases, the District has a lease which is not included in the calculation of lease obligations because the payments are month to month.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 146,375,000
Unamortized discounts	(1,440,061)
Unamortized premium	83,437
	<u>\$ 145,018,376</u>
Due within one year	<u><u>\$ 6,200,000</u></u>

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 7 – Long-Term Debt

The District’s bonds payable at December 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	\$ 42,190,000	\$ 55,650,000	3.00% - 5.00%	September 1, 2015 - 2038	March1, September 1	September 1, 2022
2015	17,095,000	22,020,000	2.00% - 4.00%	September 1, 2016 - 2040	March1, September 1	September 1, 2023
2015 Parks	12,625,000	16,250,000	3.00% - 5.50%	September 1, 2016 - 2040	March1, September 1	September 1, 2023
2016 Defined Area No.1 Road	9,645,000	11,940,000	2.00% - 3.50%	September 1, 2017 - 2040	March1, September 1	September 1, 2023
2016	29,815,000	38,000,000	2.00% - 4.00%	September 1, 2017 - 2041	March1, September 1	September 1, 2024
2017 Defined Area No.1 Road	12,520,000	15,000,000	3.00% - 4.00%	September 1, 2018 - 2041	March1, September 1	September 1, 2024
2019	6,480,000	7,240,000	3.00% - 3.00%	September 1, 2020 - 2044	March1, September 1	September 1, 2024
2019 Parks	1,745,000	1,950,000	2.00% - 4.00%	September 1, 2020 - 2044	March1, September 1	September 1, 2024
2019 Defined Area No.1 Road	7,530,000	8,520,000	2.00% - 3.00%	September 1, 2020 - 2044	March1, September 1	September 1, 2024
2020 Refunding	6,730,000	7,780,000	2.00% - 3.00%	September 1, 2021 - 2037	March1, September 1	September 1, 2025
	<u>\$ 146,375,000</u>					

Payments of principal and interest on all series of bonds other than defined area bonds are to be provided from taxes levied on all properties within the District. Payments of principal and interest on the defined area bonds are provided from a separate tax levied on properties located within a defined area of 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.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 7 – Long-Term Debt (continued)

At December 31, 2023, the District had authorized but unissued bonds as follows:

Bond Authority	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Water, sewer and drainage facilities	\$ 637,000,000	\$ 132,240,000	\$ 504,760,000
Road (Defined Area No. 1 only)	1,177,000,000	35,460,000	1,141,540,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	18,200,000	297,400,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	\$ 2,331,700,000	\$ 185,900,000	\$ 2,145,800,000

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

Bonds payable, beginning of year	\$ 152,325,000
Bonds retired	(5,950,000)
Bonds payable, end of year	\$ 146,375,000

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

Year	Principal	Interest	Totals
2024	\$ 6,200,000	\$ 4,750,909	\$ 10,950,909
2025	6,460,000	4,556,413	11,016,413
2026	6,730,000	4,364,527	11,094,527
2027	7,015,000	4,167,264	11,182,264
2028	7,310,000	3,969,775	11,279,775
2029	7,615,000	3,756,126	11,371,126
2030	7,945,000	3,527,838	11,472,838
2031	8,280,000	3,282,995	11,562,995
2032	8,620,000	3,025,344	11,645,344
2033	8,985,000	2,750,788	11,735,788
2034	9,360,000	2,457,519	11,817,519
2035	9,770,000	2,144,770	11,914,770
2036	10,180,000	1,814,756	11,994,756
2037	10,615,000	1,457,382	12,072,382
2038	10,465,000	1,083,276	11,548,276
2039	6,795,000	703,356	7,498,356
2040	7,050,000	468,412	7,518,412
2041	4,005,000	224,569	4,229,569
2042	960,000	89,250	1,049,250
2043	990,000	60,450	1,050,450
2044	1,025,000	30,750	1,055,750
	\$ 146,375,000	\$ 48,686,469	\$ 195,061,469

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 8 – Property Taxes

On November 3, 2009, 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. In addition, on November 8, 2011, the voters of the District authorized the District’s Board of Directors to levy a road maintenance tax within Defined Area No. 1 limited to \$0.24 per \$100 of assessed value. 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.

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 \$0.75 per \$100 of assessed value for property not located in Defined Area No. 1 and \$0.95 per \$100 of assessed value for property located in Defined Area No. 1. The components of the tax rates are \$0.285 per \$100 for maintenance and operations, \$0.465 per \$100 for debt service, and \$0.20 for Defined Area No. 1 only road debt service. The resulting tax levy was \$18,779,133 on the adjusted taxable value of \$3,289,558,517.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2023 levy collections in the amount of \$523,242 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2023 tax levy of \$21,840,657 is reported as deferred inflows. These amounts will be recognized as revenue in 2024.

Property taxes receivable, at December 31, 2023, consisted of the following:

Current tax year receivable	\$ 21,317,415
Prior tax years receivable	53,166
	<u>21,370,581</u>
Penalty and interest receivable	13,018
Total property taxes receivable	<u><u>\$ 21,383,599</u></u>

Note 9 – Sales and Use Taxes

On November 3, 2009, the voters of the District authorized the District to levy, assess and collect District-wide sales and use tax not to exceed one percent. A one percent tax was levied in November 2009. For the year ended December 31, 2023, the District recorded sales and use taxes in the amount of \$2,440,376.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 10 – Hotel Occupancy Taxes

Effective February 27, 2013, the District levied a 7% hotel occupancy tax. Revenues collected from this tax are restricted by state statute to expenditure for the promotion of tourism and support of convention/hotel activity. For the year ended December 31, 2023, the District recorded hotel occupancy taxes in the amount of \$1,807,030.

Note 11 – Ground Lease Agreement

On June 25, 2013, the District entered into a tree farm ground lease, which is for a 60-month term, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. Total costs for such lease for the fiscal year ended December 31, 2023, was \$60,000. The District is responsible for all ordinary expenses related to repairing and maintaining the grounds.

The monthly payment for the lease is \$5,000. This lease is month to month. The January 2024 payment is recorded as a prepaid expense on the *Statement of Net Position*.

Note 12 – Economic Development Agreement with Harris County

On December 12, 2012, the District entered into an economic development agreement (the “381 Agreement”) with Harris County, whereby the County will rebate a portion of the County’s tax revenue generated as a result of new development in the District. These rebated tax revenues will be used to finance certain major thoroughfare roads and certain park improvements within the District. The 381 Agreement obligates the County to rebate up to \$82,000,000 plus interest to the District to finance these improvements. The term of the 381 Agreement is through the tax year ending December 31, 2042. The 381 Agreement also allows the District to pledge the revenues to support the issuance of bonds. However, at this time, the District has not determined to pledge such revenue to any future bond issue. During the current fiscal year, the County has rebated \$3,868,360.

Note 13 – Contingent Liabilities and Litigation

On July 23, 2012, Hassell Construction Co., Inc. (“Hassell”) sued the District and Springwoods Realty Company (Springwoods), the predecessor to the principal developer, for breach of contract claims pursuant to the August 11, 2011, contract between the District and Hassell for the construction of capital assets within the District. Hassell alleges that excessive plan revisions and schedule interruptions caused them to incur damages from productivity losses. Since the project engineer was responsible for preparing and furnishing all of the drawings and revisions that are the subject of Hassell’s claims, the District and Springwoods have sued the project engineer for breach of contract, breach of express or implied warranty and negligence. On October 3, 2016, Hassell nonsuited and dismissed its claims against the District and Springwoods. On January 26, 2017, the District, Springwoods and the engineer filed a motion to nonsuit and all claims were dismissed. On March 1, 2017, R. Hassell & Company, Inc. and R. Hassell Builders, Inc. (R. Hassell) filed a notice of appeal. The appeal was abated on July 10, 2018, as a result of R. Hassell’s Chapter 11 bankruptcy filing. On September 27, 2019, Springwoods filed a motion to reinstate the appeal. As of March 7, 2023, the Court of Appeals issued its opinion affirming the trial court’s granting of the District’s Motion for Summary Judgement. On February 23, 2024, the Supreme Court of Texas denied Hassell’s Petition for Review. On March 29, 2024, Hassell filed a Motion for Rehearing with the Supreme Court of Texas.

On December 9, 2016, Hassell filed a new lawsuit naming Springwoods and the District as defendants. The claims in the new lawsuit are essentially the same as the original Hassell lawsuit, which was nonsuited on October 3, 2016. As in the original lawsuit, the District and Springwoods both filed third party petitions against the engineers involved in the project and filed counterclaims against Hassell. On July 11, 2017, Springwoods filed a motion for summary judgment, to which the District joined. On August 25, 2017, the court granted the motion for summary judgment in part, dismissing all of Hassell’s claims, with the exception of its claim regarding certain unpaid invoices. The parties subsequently reached an agreement and the District paid \$370,000 as final settlement for amounts owed to Hassell. The case was dismissed on July 10, 2018.

On December 12, 2016, Hassell derivatively by and through its shareholder Royce Hassell; R. Hassell & Company Inc.; and R. Hassell Builders (R. Hassell) filed a separate lawsuit to reopen the original case to the satisfaction of Royce Hassell as an owner of HCCI and on behalf of shareholders. R. Hassell alleges that Hassell nonsuited its claims without Royce Hassell’s consent and without securing a settlement. Both Springwoods and the District filed motions for summary judgment, arguing that R. Hassell’s claims are time-barred by the applicable statute of limitations. The court granted the motions for summary judgment on July 14, 2017. On October 27, 2017, R. Hassell filed a notice to appeal; which was abated on July 10, 2018, following R. Hassell’s Chapter 11 bankruptcy filing. On September 27, 2019, Springwoods filed a motion to reinstate the appeal. As of March 7, 2023, the Court of Appeals issued its opinion affirming the trial court’s granting of the District’s Motion for Summary Judgement. On February 23, 2024, the Supreme Court of Texas denied Hassell’s Petition for Review. On March 29, 2024, Hassell filed a Motion for Rehearing with the Supreme Court of Texas.

Harris County Improvement District No. 18
Notes to Financial Statements
December 31, 2023

Note 13 – Contingent Liabilities and Litigation (continued)

Most recently, R Hassell & Co, Inc., has filed suit against Liberty Mutual Insurance Company and Trunkline Gas Company LLC, in which the District is listed as an interpleader defendant and Engvall & York, LLP is working to get the District removed from those lawsuits. This matter has been reset for trial on February 10, 2025.

The District's insurance carrier has been notified of all claims and Engvall & York, LLP has been engaged to represent the District. Since the amount to be paid by the District pursuant to these claims, if any, cannot be determined, the District has not recorded a liability for these claims.

Note 14 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of public roads and streets constructed within the County. Accordingly, the District does not record the capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended December 31, 2023, the District recorded transfers to other governments in the amount of \$6,319,189 for road facilities constructed by a developer within the District.

Note 15 – 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.

Note 16 – Concentration of Risk

Approximately 79% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

Required Supplementary Information

*Harris County Improvement District No. 18
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for utility services	\$ 4,012,360	\$ 4,201,630	\$ 189,270
Property taxes	6,432,976	6,266,889	(166,087)
Penalties and interest	5,000	30,581	25,581
Harris County property tax rebate		3,868,360	3,868,360
Sales and use taxes	2,096,500	2,440,376	343,876
Tap connection and inspection fees	615,000	236,000	(379,000)
Miscellaneous	26,000	74,176	48,176
Investment earnings	25,000	1,295,395	1,270,395
Total Revenues	<u>13,212,836</u>	<u>18,413,407</u>	<u>5,200,571</u>
Expenditures			
Current			
Professional fees	1,566,500	1,159,826	406,674
Contracted services	1,729,000	1,884,465	(155,465)
Repairs and maintenance	5,156,800	4,287,334	869,466
Regional Water Authority fees	1,376,100	1,567,881	(191,781)
Utilities	255,400	241,074	14,326
Tree farm ground lease		60,000	(60,000)
Administrative	165,500	161,998	3,502
Miscellaneous	31,100	16,086	15,014
Capital outlay	7,921,939	6,338,483	1,583,456
Debt service			
Developer interest		1,776,002	(1,776,002)
Total Expenditures	<u>18,202,339</u>	<u>17,493,149</u>	<u>709,190</u>
Revenues Over/(Under) Expenditures	(4,989,503)	920,258	5,909,761
Other Financing Uses			
Internal transfers		(63,149)	(63,149)
Net change in fund balance	(4,989,503)	857,109	5,846,612
Fund Balance			
Beginning of the year	<u>21,216,205</u>	<u>21,216,205</u>	
End of the year	<u>\$ 16,226,702</u>	<u>\$ 22,073,314</u>	<u>\$ 5,846,612</u>

Harris County Improvement District No. 18
Notes to Required Supplementary Information
December 31, 2023

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. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris County Improvement District No. 18
TSI-1. Services and Rates
December 31, 2023

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

- | | | | |
|---|---|--|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Roads (defined area no. 1) | <input checked="" type="checkbox"/> Security |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): | | Non-potable water for construction use | |

2. Retail Service Providers

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:	\$ 11.00	- 0 -	N	\$ 0.75	1,001 to 6,000
				\$ 1.50	6,001 to 26,000
				\$ 2.75	26,001 to 61,000
				\$ 3.75	61,001 to no limit
Irrigation:	\$ 11.00	- 0 -	N	Irrigation rates are the same as for water	
Wastewater:	\$ 44.73	- 0 -	N	\$ 0.75	1,001 to 6,000
				\$ 1.50	6,001 to no limit

All customers are billed at 120% of the water bill for the Regional Water Authority fees

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 69.95 Wastewater \$ 54.48

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"	1	1	x 1.0	
1"	64	60	x 2.5	150
1.5"	6	6	x 5.0	30
2"	53	52	x 8.0	416
3"	3	3	x 15.0	45
4"	1	1	x 25.0	25
6"	6	6	x 50.0	300
8"	12	11	x 80.0	880
10"	3	3	x 115.0	345
12"			x 150.0	
Total Water	149	143		2,191
Total Wastewater	108	143	x 1.0	143

See accompanying auditor's report.

Harris County Improvement District No. 18
TSI-1. Services and Rates
December 31, 2023

3. Total Water Consumption during the fiscal period (in thousands):

Gallons pumped into system:	<u>392,926,000</u>	Water Accountability Ratio:
Gallons metered	<u>374,395,000</u>	(Gallons metered / Gallons pumped)
		<u>95.28%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

2. Location of District:

Is the District located entirely within one county? Yes No

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

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

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? Texas Commission on Environmental Quality

See accompanying auditor's report.

Harris County Improvement District No. 18
TSI-2. General Fund Expenditures
For the Year Ended December 31, 2023

Professional fees	
Legal	\$ 266,587
Audit	33,300
Engineering	859,939
	<u>1,159,826</u>
Contracted services	
Bookkeeping	81,512
Operator	396,516
Security	836,312
Garbage	37,155
Tap connection and inspection	83,505
Sludge haul	151,293
District management	298,172
	<u>1,884,465</u>
Repairs and maintenance	<u>4,287,334</u>
Regional Water Authority fees	<u>1,567,881</u>
Utilities	<u>241,074</u>
Tree farm ground lease	<u>60,000</u>
Administrative	
Directors fees	10,237
Printing and office supplies	3,523
Insurance	97,040
Other	51,198
	<u>161,998</u>
Miscellaneous	<u>16,086</u>
Capital outlay	<u>6,338,483</u>
Developer interest	<u>1,776,002</u>
Total expenditures	<u><u>\$ 17,493,149</u></u>

See accompanying auditor's report.

Harris County Improvement District No. 18
TSI-3. Investments
December 31, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest
General				
Certificate of deposit	4.50%	3/19/2024	\$ 235,000	\$ 8,286
Certificate of deposit	5.00%	7/27/2024	235,000	4,990
Certificate of deposit	5.00%	6/29/2024	235,000	5,827
Certificate of deposit	5.00%	6/29/2024	235,000	5,955
Certificate of deposit	5.50%	12/2/2024	235,000	992
Certificate of deposit	5.54%	12/2/2024	235,000	999
Certificate of deposit	4.65%	3/20/2024	235,000	8,562
Texas CLASS	Variable	N/A	18,300,375	
Texas CLASS	Variable	N/A	1,822,276	
			21,767,651	35,611
Debt Service				
Certificate of deposit	4.40%	2/13/2024	235,000	8,102
Certificate of deposit	4.75%	2/13/2024	235,000	8,746
Certificate of deposit	5.00%	4/19/2024	235,000	8,209
Certificate of deposit	4.54%	2/13/2024	235,000	8,360
Certificate of deposit	4.40%	2/13/2024	235,000	8,102
Texas CLASS	Variable	N/A	7,571,448	
Texas CLASS	Variable	N/A	944,992	
			9,691,440	41,519
Capital Projects				
Texas CLASS	Variable	N/A	216,950	
Hotel Occupancy Tax				
Texas CLASS	Variable	N/A	2,746,047	
Total - All Funds			\$ 34,422,088	\$ 77,130

See accompanying auditor's report.

Harris County Improvement District No. 18
TSI-4. Taxes Levied and Receivable
December 31, 2023

	Maintenance Taxes	Road Debt Service Taxes	WSD Debt Service Taxes	Total
Taxes Receivable, Beginning of Year	\$ 5,937,824	\$ 1,874,002	\$ 9,687,650	\$ 17,499,476
Adjustments (Including Rollbacks)	(280,836)	(199,209)	(453,601)	(933,646)
Adjusted Receivable	5,656,988	1,674,793	9,234,049	16,565,830
2023 Original Tax Levy	9,375,917	1,894,602	9,741,213	21,011,732
Adjustments	248,288	322,679	257,958	828,925
Adjusted Tax Levy	9,624,205	2,217,281	9,999,171	21,840,657
Total to be accounted for	15,281,193	3,892,074	19,233,220	38,406,487
Tax collections:				
Current year	215,108	84,645	223,489	523,242
Prior years	5,645,585	1,651,445	9,215,634	16,512,664
Total Collections	5,860,693	1,736,090	9,439,123	17,035,906
Taxes Receivable, End of Year	\$ 9,420,500	\$ 2,155,984	\$ 9,794,097	\$ 21,370,581
Taxes Receivable, By Years				
2023	\$ 9,409,097	\$ 2,132,636	\$ 9,775,682	\$ 21,317,415
2022	9,409	22,115	15,351	46,875
2021	1,994	1,161	3,064	6,219
2017		72		72
	\$ 9,420,500	\$ 2,155,984	\$ 9,794,097	\$ 21,370,581
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 986,392,916	\$ 829,423,990	\$ 643,817,424	\$ 641,755,124
Improvements	2,835,865,406	2,460,409,200	2,258,033,814	2,224,620,816
Personal Property	473,055,979	404,911,860	418,198,897	393,439,457
Exemptions	(451,714,074)	(405,186,533)	(369,620,154)	(371,358,991)
Total Property Valuations	\$ 3,843,600,227	\$ 3,289,558,517	\$ 2,950,429,981	\$ 2,888,456,406
Tax Rates per \$100 Valuation:				
Maintenance and operations	\$ 0.385	\$ 0.285	\$ 0.290	\$ 0.305
Defined Area No. 1 road debt service	0.165	0.200	0.215	0.235
Debt service	0.400	0.465	0.445	0.440
Total Tax Rates per \$100 Valuation	\$ 0.950	\$ 0.950	\$ 0.950	\$ 0.980
Adjusted Tax Levy	\$ 19,623,376	\$ 16,636,385	\$ 14,695,987	\$ 14,998,662
Defined Area No. 1 Tax Levy	2,217,281	2,142,748	2,044,598	2,056,751
Total Adjusted Tax Levy	\$ 21,840,657	\$ 18,779,133	\$ 16,740,585	\$ 17,055,413
Percentage of Taxes Collected to Taxes Levied **	2.40%	99.75%	99.96%	100.00%

* Maximum General Maintenance Tax Rate Approved by Voters: \$1.50 on November 3, 2009

* Maximum Road Maintenance Tax Rate for Approved by Voters: \$0.24 on November 8, 2011
(Defined Area No. 1 only)

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

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2014--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 1,920,000	\$ 1,488,594	\$ 3,408,594
2025	2,020,000	1,430,993	3,450,993
2026	2,125,000	1,370,394	3,495,394
2027	2,235,000	1,306,644	3,541,644
2028	2,355,000	1,239,593	3,594,593
2029	2,480,000	1,163,056	3,643,056
2030	2,610,000	1,082,455	3,692,455
2031	2,745,000	994,369	3,739,369
2032	2,890,000	901,725	3,791,725
2033	3,040,000	800,575	3,840,575
2034	3,200,000	690,375	3,890,375
2035	3,370,000	574,375	3,944,375
2036	3,545,000	448,000	3,993,000
2037	3,730,000	306,200	4,036,200
2038	3,925,000	157,000	4,082,000
	<u>\$ 42,190,000</u>	<u>\$ 13,954,348</u>	<u>\$ 56,144,348</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2015--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 705,000	\$ 588,263	\$ 1,293,263
2025	735,000	560,063	1,295,063
2026	765,000	541,688	1,306,688
2027	800,000	518,738	1,318,738
2028	835,000	494,738	1,329,738
2029	870,000	469,688	1,339,688
2030	905,000	443,588	1,348,588
2031	945,000	415,306	1,360,306
2032	985,000	384,594	1,369,594
2033	1,025,000	352,581	1,377,581
2034	1,070,000	317,988	1,387,988
2035	1,115,000	280,538	1,395,538
2036	1,165,000	241,513	1,406,513
2037	1,215,000	199,281	1,414,281
2038	1,265,000	155,238	1,420,238
2039	1,320,000	107,800	1,427,800
2040	1,375,000	55,000	1,430,000
	<u>\$ 17,095,000</u>	<u>\$ 6,126,605</u>	<u>\$ 23,221,605</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
TSI-5. Long-Term Debt Service Requirements
Series 2015 Parks--by Years
December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 520,000	\$ 419,113	\$ 939,113
2025	545,000	393,113	938,113
2026	565,000	365,863	930,863
2027	590,000	337,613	927,613
2028	615,000	319,913	934,913
2029	640,000	301,463	941,463
2030	670,000	282,263	952,263
2031	700,000	261,325	961,325
2032	725,000	240,325	965,325
2033	760,000	216,763	976,763
2034	790,000	193,963	983,963
2035	825,000	167,300	992,300
2036	860,000	142,550	1,002,550
2037	895,000	114,600	1,009,600
2038	935,000	87,750	1,022,750
2039	975,000	59,700	1,034,700
2040	1,015,000	30,450	1,045,450
	<u>\$ 12,625,000</u>	<u>\$ 3,934,067</u>	<u>\$ 16,559,067</u>

See accompanying auditor's report.

*TSI-5. Long-Term Debt Service Requirements
Series 2016 Defined Area No. 1 Road--by Years
December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 390,000	\$ 318,206	\$ 708,206
2025	405,000	306,506	711,506
2026	425,000	294,356	719,356
2027	445,000	281,606	726,606
2028	465,000	268,256	733,256
2029	485,000	254,306	739,306
2030	510,000	239,150	749,150
2031	530,000	223,213	753,213
2032	555,000	205,988	760,988
2033	580,000	187,950	767,950
2034	605,000	168,375	773,375
2035	635,000	147,956	782,956
2036	660,000	126,525	786,525
2037	690,000	103,425	793,425
2038	720,000	79,275	799,275
2039	755,000	54,075	809,075
2040	790,000	27,650	817,650
	<u>\$ 9,645,000</u>	<u>\$ 3,286,818</u>	<u>\$ 12,931,818</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2016--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 1,275,000	\$ 906,632	\$ 2,181,632
2025	1,310,000	879,537	2,189,537
2026	1,350,000	850,063	2,200,063
2027	1,390,000	818,000	2,208,000
2028	1,435,000	781,512	2,216,512
2029	1,475,000	742,050	2,217,050
2030	1,520,000	697,800	2,217,800
2031	1,565,000	652,200	2,217,200
2032	1,615,000	605,249	2,220,249
2033	1,660,000	556,800	2,216,800
2034	1,710,000	504,924	2,214,924
2035	1,765,000	451,488	2,216,488
2036	1,815,000	394,124	2,209,124
2037	1,870,000	335,138	2,205,138
2038	1,925,000	272,025	2,197,025
2039	1,985,000	207,056	2,192,056
2040	2,045,000	140,062	2,185,062
2041	2,105,000	71,044	2,176,044
	<u>\$ 29,815,000</u>	<u>\$ 9,865,704</u>	<u>\$ 39,680,704</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2017 Defined Area No. 1 Road--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 475,000	\$ 443,569	\$ 918,569
2025	495,000	424,569	919,569
2026	520,000	404,769	924,769
2027	540,000	389,169	929,169
2028	565,000	372,969	937,969
2029	585,000	356,019	941,019
2030	610,000	337,738	947,738
2031	640,000	317,913	957,913
2032	665,000	296,313	961,313
2033	695,000	273,869	968,869
2034	725,000	249,544	974,544
2035	755,000	223,263	978,263
2036	785,000	195,894	980,894
2037	820,000	167,438	987,438
2038	855,000	136,688	991,688
2039	890,000	104,625	994,625
2040	930,000	71,250	1,001,250
2041	970,000	36,375	1,006,375
	<u>\$ 12,520,000</u>	<u>\$ 4,801,974</u>	<u>\$ 17,321,974</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2019--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 215,000	\$ 194,400	\$ 409,400
2025	220,000	187,950	407,950
2026	230,000	181,350	411,350
2027	240,000	174,450	414,450
2028	245,000	167,250	412,250
2029	255,000	159,900	414,900
2030	265,000	152,250	417,250
2031	275,000	144,300	419,300
2032	280,000	136,050	416,050
2033	290,000	127,650	417,650
2034	300,000	118,950	418,950
2035	310,000	109,950	419,950
2036	325,000	100,650	425,650
2037	335,000	90,900	425,900
2038	345,000	80,850	425,850
2039	360,000	70,500	430,500
2040	370,000	59,700	429,700
2041	385,000	48,600	433,600
2042	400,000	37,050	437,050
2043	410,000	25,050	435,050
2044	425,000	12,750	437,750
	<u>\$ 6,480,000</u>	<u>\$ 2,380,500</u>	<u>\$ 8,860,500</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2019 Parks--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 60,000	\$ 48,694	\$ 108,694
2025	60,000	46,894	106,894
2026	60,000	45,694	105,694
2027	65,000	44,494	109,494
2028	65,000	43,194	108,194
2029	70,000	41,894	111,894
2030	70,000	40,319	110,319
2031	75,000	38,569	113,569
2032	75,000	36,600	111,600
2033	80,000	34,350	114,350
2034	80,000	31,950	111,950
2035	85,000	29,550	114,550
2036	85,000	27,000	112,000
2037	90,000	24,450	114,450
2038	95,000	21,750	116,750
2039	95,000	18,900	113,900
2040	100,000	16,050	116,050
2041	105,000	13,050	118,050
2042	105,000	9,900	114,900
2043	110,000	6,750	116,750
2044	115,000	3,450	118,450
	<u>\$ 1,745,000</u>	<u>\$ 623,502</u>	<u>\$ 2,368,502</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2019 Defined Area No. 1 Road--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 255,000	\$ 201,950	\$ 456,950
2025	265,000	196,850	461,850
2026	275,000	191,550	466,550
2027	280,000	186,050	466,050
2028	290,000	180,450	470,450
2029	300,000	174,650	474,650
2030	310,000	168,275	478,275
2031	320,000	161,300	481,300
2032	330,000	153,700	483,700
2033	340,000	145,450	485,450
2034	350,000	136,950	486,950
2035	365,000	126,450	491,450
2036	375,000	115,500	490,500
2037	385,000	104,250	489,250
2038	400,000	92,700	492,700
2039	415,000	80,700	495,700
2040	425,000	68,250	493,250
2041	440,000	55,500	495,500
2042	455,000	42,300	497,300
2043	470,000	28,650	498,650
2044	485,000	14,550	499,550
	<u>\$ 7,530,000</u>	<u>\$ 2,626,025</u>	<u>\$ 10,156,025</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 Series 2020 Refunding--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 385,000	\$ 141,488	\$ 526,488
2025	405,000	129,938	534,938
2026	415,000	118,800	533,800
2027	430,000	110,500	540,500
2028	440,000	101,900	541,900
2029	455,000	93,100	548,100
2030	475,000	84,000	559,000
2031	485,000	74,500	559,500
2032	500,000	64,800	564,800
2033	515,000	54,800	569,800
2034	530,000	44,500	574,500
2035	545,000	33,900	578,900
2036	565,000	23,000	588,000
2037	585,000	11,700	596,700
	<u>\$ 6,730,000</u>	<u>\$ 1,086,926</u>	<u>\$ 7,816,926</u>

See accompanying auditor's report.

*Harris County Improvement District No. 18
 TSI-5. Long-Term Debt Service Requirements
 All Bonded Debt Series--by Years
 December 31, 2023*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 6,200,000	\$ 4,750,909	\$ 10,950,909
2025	6,460,000	4,556,413	11,016,413
2026	6,730,000	4,364,527	11,094,527
2027	7,015,000	4,167,264	11,182,264
2028	7,310,000	3,969,775	11,279,775
2029	7,615,000	3,756,126	11,371,126
2030	7,945,000	3,527,838	11,472,838
2031	8,280,000	3,282,995	11,562,995
2032	8,620,000	3,025,344	11,645,344
2033	8,985,000	2,750,788	11,735,788
2034	9,360,000	2,457,519	11,817,519
2035	9,770,000	2,144,770	11,914,770
2036	10,180,000	1,814,756	11,994,756
2037	10,615,000	1,457,382	12,072,382
2038	10,465,000	1,083,276	11,548,276
2039	6,795,000	703,356	7,498,356
2040	7,050,000	468,412	7,518,412
2041	4,005,000	224,569	4,229,569
2042	960,000	89,250	1,049,250
2043	990,000	60,450	1,050,450
2044	1,025,000	30,750	1,055,750
	<u>\$ 146,375,000</u>	<u>\$ 48,686,469</u>	<u>\$ 195,061,469</u>

See accompanying auditor's report.

	Bond Issue		
	Series 2014	Series 2015	Series 2015 Parks
Interest rate	3.00% - 5.00%	2.00% - 4.00%	3.00% - 5.50%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/15 - 9/1/38	9/1/16 - 9/1/40	9/1/16 - 9/1/40
Beginning bonds outstanding	\$ 44,015,000	\$ 17,775,000	\$ 13,125,000
Bonds retired	(1,825,000)	(680,000)	(500,000)
Ending bonds outstanding	<u>\$ 42,190,000</u>	<u>\$ 17,095,000</u>	<u>\$ 12,625,000</u>
Interest paid during fiscal year	<u>\$ 1,543,344</u>	<u>\$ 601,863</u>	<u>\$ 444,112</u>
Paying agent's name and city	Regions Bank, N.A., Houston, Texas		
Series 2014	Regions Bank, N.A., Houston, Texas		
Series 2015 and 2016, 2015 Parks, Defined Area No. 1	Amegy Bank N.A., Houston, Texas		
2016, and 2017	Amegy Bank N.A., Houston, Texas		
Series 2019, 2019 Parks, and 2020 Refunding	Zions Bancorporation, N.A., Houston, Texas		
	Bonds Authorized by Voters	Bonds Issued	Bonds Remaining to be Issued
Bond Authority			
Water, sewer and drainage facilities	\$ 637,000,000	\$ 132,240,000	\$ 504,760,000
Road (Defined Area No. 1 only)	1,177,000,000	35,460,000	1,141,540,000
Public transit	11,000,000		11,000,000
Firefighting facilities	15,100,000		15,100,000
Recreational facilities	315,600,000	18,200,000	297,400,000
Parking facilities	128,000,000		128,000,000
Economic development	48,000,000		48,000,000
	<u>\$ 2,331,700,000</u>	<u>\$ 185,900,000</u>	<u>\$ 2,145,800,000</u>

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

Debt Service Fund cash and temporary investment balances as of December 31, 2023: \$ 10,157,825

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 9,288,641

See accompanying auditor's report.

	Bond Issue			
	Series 2016 Defined Area		Series 2017 Defined Area	
	No.1 Road	Series 2016	No.1 Road	Series 2019
Interest rate	2.00% - 3.50%	2.00% - 4.00%	3.00% - 4.00%	3.00% - 3.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/17 - 9/1/40	9/1/17 - 9/1/41	9/1/18 - 9/1/41	9/1/20 - 9/1/44
Beginning bonds outstanding	\$ 10,020,000	\$ 31,050,000	\$ 12,980,000	\$ 6,685,000
Bonds retired	<u>(375,000)</u>	<u>(1,235,000)</u>	<u>(460,000)</u>	<u>(205,000)</u>
Ending bonds outstanding	<u>\$ 9,645,000</u>	<u>\$ 29,815,000</u>	<u>\$ 12,520,000</u>	<u>\$ 6,480,000</u>
Interest paid during fiscal year	<u>\$ 325,706</u>	<u>\$ 931,331</u>	<u>\$ 461,969</u>	<u>\$ 200,550</u>

See accompanying auditor's report.

	Bond Issue			Total
	Series 2019 Parks	Series 2019 Defined Area No.1 Road	Series 2020 Refunding	
Interest rate	2.00% - 4.00%	2.00% - 3.00%	2.00% - 3.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/20 - 9/1/44	9/1/20 - 9/1/44	9/1/21 - 9/1/37	
Beginning bonds outstanding	\$ 1,800,000	\$ 7,780,000	\$ 7,095,000	\$ 152,325,000
Bonds retired	<u>(55,000)</u>	<u>(250,000)</u>	<u>(365,000)</u>	<u>(5,950,000)</u>
Ending bonds outstanding	<u>\$ 1,745,000</u>	<u>\$ 7,530,000</u>	<u>\$ 6,730,000</u>	<u>\$ 146,375,000</u>
Interest paid during fiscal year	<u>\$ 50,344</u>	<u>\$ 206,950</u>	<u>\$ 152,438</u>	<u>\$ 4,918,607</u>

See accompanying auditor's report.

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Harris County Improvement District No. 18
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Charges for utility services	\$ 4,201,630	\$ 3,747,100	\$ 3,305,868	\$ 3,112,594	\$ 2,922,590
Property taxes	6,266,889	5,753,945	6,139,367	5,621,200	4,734,648
Penalties and interest	30,581	27,833	36,643	21,383	38,450
Harris County property tax rebate	3,868,360	4,172,799	4,390,624	4,555,051	4,168,031
Sales and use taxes	2,440,376	2,031,558	2,066,134	2,644,798	4,337,509
Tap connection and inspection fees	236,000	13,070	12,535	354,001	632,777
Capital recovery fees					843,847
Miscellaneous	74,176	80,261	74,687	74,328	121,032
Investment earnings	1,295,395	375,045	28,575	186,845	408,952
Total Revenues	18,413,407	16,201,611	16,054,433	16,570,200	18,207,836
Expenditures					
Current					
Professional fees	1,159,826	1,282,918	1,539,839	1,321,999	1,429,999
Contracted services	1,884,465	1,302,038	1,393,174	1,418,189	1,561,336
Repairs and maintenance	4,287,334	3,887,791	3,451,625	3,123,212	4,555,063
Regional Water Authority fees	1,567,881	1,407,632	1,259,196	1,010,327	1,060,574
Utilities	241,074	200,584	195,068	196,301	207,270
Ground lease	60,000	60,000	60,000	60,000	60,000
Administrative	161,998	150,708	148,775	135,358	135,974
Miscellaneous	16,086	22,671	26,419	38,941	36,025
Capital outlay	6,338,483	6,281,165	6,189,408	1,841,575	1,402,706
Developer interest	1,776,002	1,955,087	2,465,355	3,618,188	4,168,031
Total Expenditures	17,493,149	16,550,594	16,728,859	12,764,090	14,616,978
Revenues Over/(Under) Expenditures	\$ 920,258	\$ (348,983)	\$ (674,426)	\$ 3,806,110	\$ 3,590,858
Total Active Retail Water Connections	143	142	137	137	133
Total Active Retail Wastewater Connections	143	141	136	92	93

* Negligible percentage

See accompanying auditor's report.

Harris County Improvement District No. 18
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Percent of Fund Total Revenues				
	2023	2022	2021	2020	2019
Revenues					
Charges for utility services	23%	23%	21%	20%	16%
Property taxes	35%	36%	39%	34%	26%
Penalties and interest	*	*	*	*	*
Harris County property tax rebate	21%	26%	27%	27%	23%
Sales and use taxes	13%	13%	13%	16%	24%
Tap connection and inspection fees	1%	*	*	2%	3%
Capital recovery fees					5%
Miscellaneous	*	*	*	*	1%
Investment earnings	7%	2%	*	1%	2%
Total Revenues	100%	100%	100%	100%	100%
Expenditures					
Current					
Professional fees	6%	8%	10%	8%	8%
Contracted services	10%	8%	9%	9%	9%
Repairs and maintenance	23%	24%	21%	19%	25%
Regional Water Authority fees	9%	9%	8%	6%	6%
Utilities	1%	1%	1%	1%	1%
Lease	*	*	*	*	*
Administrative	1%	1%	1%	1%	1%
Miscellaneous	*	*	*	*	*
Capital outlay	34%	39%	39%	11%	8%
Developer interest	10%	12%	15%	22%	23%
Total Expenditures	94%	102%	104%	77%	81%
Revenues Over/(Under) Expenditures	6%	(2%)	(4%)	23%	19%

* Negligible percentage

See accompanying auditor's report.

Harris County Improvement District No. 18
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	\$ 12,315,850	\$ 10,905,950	\$ 11,728,891	\$ 10,912,725	\$ 10,194,011
Penalty and interest	137,470	25,812	32,972		6,101
Miscellaneous	1,300	197	5,723	522	8,807
Investment earnings	720,296	174,561	23,116	106,535	258,841
Total Revenues	<u>13,174,916</u>	<u>11,106,520</u>	<u>11,790,702</u>	<u>11,019,782</u>	<u>10,467,760</u>
Expenditures					
Tax collection services	173,995	143,390	115,971	195,597	133,462
Debt service					
Principal	5,950,000	5,700,000	5,465,000	5,230,000	4,560,000
Interest and fees	4,923,013	5,142,563	5,344,924	5,638,531	5,321,086
Debt issuance costs				252,696	
Total Expenditures	<u>11,047,008</u>	<u>10,985,953</u>	<u>10,925,895</u>	<u>11,316,824</u>	<u>10,014,548</u>
Revenues Over/(Under) Expenditures	<u>\$ 2,127,908</u>	<u>\$ 120,567</u>	<u>\$ 864,807</u>	<u>\$ (297,042)</u>	<u>\$ 453,212</u>

* Negligible percentage

See accompanying auditor's report.

Harris County Improvement District No. 18

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Percent of Fund Total Revenues				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	93%	98%	99%	99%	98%
Penalty and interest	1%	*	*		*
Miscellaneous	*	*	*	*	*
Investment earnings	5%	2%	1%	1%	2%
Total Revenues	99%	100%	100%	100%	100%
Expenditures					
Tax collection services	1%	1%	1%	2%	1%
Debt service					
Principal	45%	51%	46%	47%	44%
Interest and fees	37%	46%	45%	51%	51%
Debt issuance costs				2%	
Total Expenditures	83%	98%	92%	102%	96%
Revenues Over/(Under) Expenditures	16%	2%	8%	(2%)	4%

* Negligible percentage

See accompanying auditor's report.

Harris County Improvement District No. 18
TSI-8. Board Members, Key Personnel and Consultants
December 31, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): August 22, 2023
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Robert T. Deden	06/23 to 06/27	\$ 2,005	\$ 288	President
Dwayne L. Mason	06/21 to 06/25	2,076		Vice President
Craig Doyal	06/23 to 06/27	1,484	448	Assistant Vice President
Sue Darcy	06/23 to 06/27	2,596	209	Secretary
Richard Rose	06/21 to 06/25	2,076		Assistant Secretary
Amounts Paid				
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal</i>	06/09	\$ 232,588		Attorney
TNG Utility Corp.	01/10	1,404,074		Operator
Municipal Accounts & Consulting, LP	12/13	98,335		Bookkeeper
Assessments of the Southwest, Inc.	07/11	17,689		Tax Collector
Harris Central Appraisal District	Legislation	148,063		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/12	6,874		Delinquent Tax Attorney
Versa Infrastructure, LLC	10/20	382,241		Engineer
Tolunay-Wong Engineers, Inc.	06/12	25,170		Engineer
Mike Stone Associates, Inc.	02/16	684,496		District Facilities Manager
DCS Engineering, LLC	04/12	33,730		Engineer
Half Associates, Inc.	11/16	859,406		Engineer
McGrath & Co., PLLC - CPA's	04/13	33,300		Auditor
Jones - Heroy & Associates, Inc.	02/11			Contract Reviewer
Berg Oliver	11/09	10,000		Environmental Consultant
Clark Condon Associates, Inc.	03/12	48,725		Landscape Architect
C.L. Davis & Co.		279,594		Land Surveyors
Robert W. Baird	01/15			Financial Advisor

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

See accompanying auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN