

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

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

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 077001

RATING: BAM Insured “AA” (stable outlook) S&P
See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

\$2,050,000

BEECHNUT MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX AND REVENUE BONDS

SERIES 2024

Dated: August 1, 2024

Due: March 1 (as shown below)

Interest on the \$2,050,000 Unlimited Tax and Revenue Bonds, Series 2024 (the “Bonds” or the “Series 2024 Bonds”), will accrue from August 1, 2024, and will be payable semiannually on March 1, 2025 and each September 1 and March 1 thereafter. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS.”

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”).



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

\$175,000 6.500% Term Bond Due March 1, 2032 to Yield 3.300% (a) (b) (c)
 \$225,000 6.500% Term Bond Due March 1, 2035 to Yield 3.300% (a) (b) (c)
 \$150,000 4.000% Term Bond Due March 1, 2037 to Yield 3.850% (a) (b) (c)
 \$200,000 4.000% Term Bond Due March 1, 2039 to Yield 4.000% (a) (b) (c)
 \$200,000 4.000% Term Bond Due March 1, 2041 to Yield 4.090% (a) (b) (c)
 \$200,000 4.000% Term Bond Due March 1, 2043 to Yield 4.170% (a) (b) (c)
 \$250,000 4.125% Term Bond Due March 1, 2045 to Yield 4.250% (a) (b) (c)
 \$250,000 4.250% Term Bond Due March 1, 2047 to Yield 4.320% (a) (b) (c)
 \$400,000 4.250% Term Bond Due March 1, 2050 to Yield 4.380% (a) (b) (c)

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

The proceeds of the Bonds will be used by Beechnut Municipal Utility District (the “District”) to: (1) finance the water line replacements in the Beechnut Park subdivision and water plant recoating costs, including engineering and contingency costs; (2) pay 12 months of capitalized interest on the Bonds; and (3) pay issuance costs and administrative costs associated with the issuance of the Bonds. See “USE OF BOND PROCEEDS.”

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

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about August 22, 2024.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Norton Rose Fulbright US LLP, 1550 Lamar Street, Suite 2000, Houston, Texas 77010, upon payment of duplication costs.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.046122% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.535892%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of road improvement district bonds may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Prices and Marketability

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

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

Securities Laws

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

MUNICIPAL BOND RATING

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

BOND INSURANCE

Bond Insurance Policy

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The Beechnut Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2024 (the "Series 2024 Bonds" or the "Bonds"), are dated August 1, 2024 and issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions, including but not limited to Chapters 49 and 54 of the Texas Water Code, as amended, a bond election held within the District, an order (the "Bond Order") to be adopted by the Board of Directors of Beechnut Municipal Utility District (the "District") and an approving order of the Texas Commission on Environmental Quality (the "TCEQ"). The Bonds mature on March 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable semiannually on March 1, 2025 and each September 1 and March 1 until maturity or prior redemption.
- Authority for Issuance:** This is the District's second new money bond issue. After issuance of the Bonds, an aggregate of \$4,445,000 principal amount of bonds for unlimited tax and revenue bonds will remain authorized. See "Issuance of Additional Debt."
- Redemption Provisions:** The Bonds are subject to redemption at the option of the District, in whole from time to time or part, on March 1, 2029, or 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 – Optional Redemption." The Bonds maturing on March 1 in the years 2032, 2035, 2037, 2039, 2041, 2043, 2045, 2047, and 2050 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2030, 2033, 2036, 2038, 2040, 2042, 2044, 2046, and 2048, respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. So long as Cede & Co., as the Paying Agent to DTC, is the registered owner of the Bonds, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Risk Factors:** The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Sources of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. See "TAXING PROCEDURES." Additionally, the Bonds are secured by the Net Revenues (hereinafter defined) of the District's waterworks, sanitary sewer and drainage system (the "System"). See "THE BONDS -- Sources of and Security for Payment." The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any other political subdivision or agency. See "THE BONDS -- Sources of and Security for Payment."
- Use of Bond Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) finance the water line replacement costs in the Beechnut Park subdivision and certain water plant recoating costs including engineering and contingency costs; (2) pay 12 months of capitalized interest on the Bonds; and (3) pay bond issuance and administrative costs associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Municipal Bond Insurance and Rating:** S&P has assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE," and "APPENDIX B – Specimen Municipal Bond Insurance Policy."
- Tax Exemption:** In the opinion of Bond Counsel, under existing law, interest on the bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and will not be included in computing the alternative minimum tax for the owners thereof who are individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.
- Qualified Tax Exempt Obligations:** The Bonds are designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

Paying Agent/Registrar: The Bank of New York Mellon Trust Company, N.A, Houston, Texas.

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

THE DISTRICT

Description: Beechnut Municipal Utility District, a political subdivision of the State of Texas, was created by the Texas Water Commission on December 9, 1980. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 261.3 acres of land. The District is located approximately 20 miles southeast of the Houston central business district and approximately 8 miles northeast of the City of Sugar Land. It is located near the intersection of Beechnut Street and Eldridge Blvd. The District is located entirely within Harris County, Texas. The District is located within the extra territorial jurisdiction limits of the City of Houston. See "THE DISTRICT."

Status of Development: As of June 1, 2024, the District contained approximately 355 completed single-family homes (approximately 347 of which were occupied), 0 homes under construction, 0 vacant developed lots, an indoor entertainment park/arcade, approximately 6 commercial retail connections, 6 small office establishments, 5 churches, a nonprofit elderly housing organization, 298 multifamily units, a fire station, a county park and a public elementary school. See "THE DISTRICT – Development of the District."

Summary of Land Use: As of June 1, 2024, the approximate land use in the District is in the table below:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Fully Developed Acres	211	
Acres Currently Being Developed	0	
Remaining Developable Acres	0	
Undevelopable Acres	<u>50</u>	(a)
Total Approximate Acres	261	

(a) Includes undevelopable acres for streets, parks, recreational and open space detention and drainage, facilities and City sites.

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

(Unaudited)

2023 Certified Taxable Value	\$101,609,151	(a)
Direct Debt		
Outstanding Bonds (as of July 1, 2024)	\$1,505,000	
The Bonds	<u>\$2,050,000</u>	
Total Direct Debt	\$3,555,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$2,671,648</u>	
Direct and Estimated Overlapping Debt	\$6,226,648	
Percentage of Direct Debt to:		
2023 Certified Taxable Value	3.50%	
See "DISTRICT DEBT"		
Percentage of Direct and Overlapping Debt to:		
2023 Certified Taxable Value	6.13%	
See "DISTRICT DEBT"		
2023 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.3500	
Maintenance Tax	<u>\$0.1947</u>	
Total 2023 Tax Rate	\$0.5447	
Cash and Temporary Investment Balances as of May 31, 2024		
General Fund Cash Balance	\$1,756,264	
Debt Service Fund Cash Balance	\$1,003,607	(b)

(a) Reflects the 2023 Certified Taxable Value according to data supplied to the District by Harris Central Appraisal District ("HCAD"). See "TAX DATA" and "TAXING PROCEDURES"

(a) The cash and investment balance in the Debt Service Fund includes \$93,938 of capitalized interest to be funded with the proceeds of the District's Series 2024 Bonds and deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA - Tax Adequacy for Debt Service."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's outstanding bonds, plus the debt service requirements on the Bonds.

<u>Year</u>	<u>Existing Debt Service Requirements</u>	<u>Plus: Debt Service on the Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2024	\$312,842	-	-	\$312,842
2025	\$312,984	-	\$101,766	\$414,750
2026	\$313,040	-	\$93,938	\$406,978
2027	\$313,013	-	\$93,938	\$406,951
2028	\$317,858	-	\$93,938	\$411,796
2029	<u>\$312,619</u>	-	\$93,938	\$406,557
2030	-	\$50,000	\$92,313	\$142,313
2031	-	\$50,000	\$89,063	\$139,063
2032	-	\$75,000	\$85,000	\$160,000
2033	-	\$75,000	\$80,125	\$155,125
2034	-	\$75,000	\$75,250	\$150,250
2035	-	\$75,000	\$70,375	\$145,375
2036	-	\$75,000	\$66,438	\$141,438
2037	-	\$75,000	\$63,438	\$138,438
2038	-	\$100,000	\$59,938	\$159,938
2039	-	\$100,000	\$55,938	\$155,938
2040	-	\$100,000	\$51,938	\$151,938
2041	-	\$100,000	\$47,938	\$147,938
2042	-	\$100,000	\$43,938	\$143,938
2043	-	\$100,000	\$39,938	\$139,938
2044	-	\$125,000	\$35,359	\$160,359
2045	-	\$125,000	\$30,203	\$155,203
2046	-	\$125,000	\$24,969	\$149,969
2047	-	\$125,000	\$19,656	\$144,656
2048	-	\$125,000	\$14,344	\$139,344
2049	-	\$125,000	\$9,031	\$134,031
2050	-	<u>\$150,000</u>	<u>\$3,188</u>	<u>\$153,188</u>
	\$1,882,356	\$2,050,000	\$1,535,891	\$5,468,247

Maximum Annual Debt Service Requirements (2025)..... \$414,750

\$0.43 tax rate on the 2023 Certified Taxable Valuation of \$101,609,151

@ 95% collections produces..... \$415,073

See "TAX DATA – Tax Adequacy for Debt Service".

**OFFICIAL STATEMENT
relating to**

\$2,050,000

**BEECHNUT MUNICIPAL UTILITY DISTRICT
(A political subdivision of the state of Texas, located within Harris County, Texas)**

**UNLIMITED TAX AND REVENUE BONDS
SERIES 2024**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the Beechnut Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2024 (the "Bonds") or (the "Series 2024 Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, relating to the issuance of bonds by political subdivisions, specifically including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a bond election held within the District, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of Beechnut Municipal Utility District (the "District"), a political subdivision of the State of Texas located within Harris County, Texas, and an approving order of the Texas Commission on Environmental Quality (the "TCEQ"). This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the ad valorem tax levy constitutes a lien on the property against which taxes are levied in favor of the District. Such lien is on a parity with the liens of all other state and local taxing authorities on such property and may be enforced by foreclosure. However, ad valorem tax collection through foreclosure may be impaired by: (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures, (c) market conditions affecting the marketability of taxable property within the District at foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, (e) sale or transfer of personal property to bona fide purchasers, or (f) insufficient foreclosure proceeds to satisfy the tax liens of all state and local taxing authorities with priority liens on the property.

While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in

the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Economic Factors

The continued growth and maintenance of taxable values in the District is directly related to the housing/home building industry. Historically, the housing and home building industry has been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. Any future commercial building in the District (if any) could also be adversely affected by such economic developments.

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

The economy of the Houston, Texas metropolitan area and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent fluctuations in the price of oil and related products have the potential to negatively affect the economy of the Houston, Texas metropolitan area and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home building plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and within the market area in which the District is located. Such sites could pose competition to the continued home building development and commercial development on comparable sites within the District.

Potential Effects of Oil Price Volatility on the Houston Area

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

Dependence on Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Maximum Debt Service Tax Rate if No Growth in Taxable Value

In 2023, the District levied a debt service tax and an operation and maintenance tax for a total tax rate of \$0.5447 per \$100 of assessed valuation. Tax rates in future years may be higher. Should no development occur in the District beyond that reflected by its 2023 Taxable Valuation, a debt service tax rate of \$0.43 per \$100 assessed valuation at 95% collection, would be required to pay the District's maximum annual debt service requirements, including the Bonds. See "– Future Debt" herein and "TAX DATA – Tax Adequacy for Debt Service."

Future Debt

The District has \$4,445,000 in authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed.

The District was created 1980 and certain segments of the District infrastructure were put into operations during the 1980's and 1990's. Although the District has no plans to issue any additional bonds with next 2 years, it is possible that additional bonds may be issued at some point in time in the future to rehabilitate existing facilities. The District is substantially built out at this time and therefore the issuance of addition bonds in the future could necessitate an increase in the District's debt service tax rate from the current rate (\$0.35) to higher rate.

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

Expiration of Favorable Contracts

The District's water plant and wastewater treatment plant were originally built as regional facilities and the costs of construction and operation of the plants were shared by the District and Bissonnet Municipal Utility District ("Bissonnet"), a neighboring larger municipal utility district. The District has operated the plants pursuant to contracts with Bissonnet (in effect for approximately 43 years); such contracts expired in 2022 and 2023, respectively. The wastewater contract provided for Bissonnet to pay approximately 75% of all capital and operating costs of the wastewater treatment plant, as well as certain additional fixed costs. The water plant contract provided for Bissonnet to pay approximately 55% of all capital and operating costs of the water plant. After short extensions pursuant to the same contractual terms, the contracts were amended effective June 1, 2023. The new water supply contract provides for Bissonnet to pay 10% of the water plant costs through May, 2024 and thereafter to pay costs of the plant only if it utilized the plant on an emergency basis. The new wastewater treatment contract provides for Bissonnet to pay approximately 58% of the capital costs and the District to pay 42% of the capital costs, with variable operating costs based on usage. The District has recently raised its water and sewer rates to account for the loss of revenue from Bissonnet and may be required to raise rates again in the future.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board is not currently considering authorizing the preparation of a park plan and is not currently considering calling a park bond election at this time.

Continuing Compliance with Certain Covenants

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

Marketability

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

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

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

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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 action 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.

Bond Insurance Risk Factors

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

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

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

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

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

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

Changes in Tax Legislation

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

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

Inclement Weather

The District is located approximately 65 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flooding – Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Extreme Weather Events; Hurricane Harvey

The Houston area, including Harris County, is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the succeeding four days. According to the observations of the District's Operator and the District's Engineer, the District's System did not sustain any significant damage. In August of 2017 there were no customers in the District.

The District is located approximately 65 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri. However, the City was unable to provide the District with potable water supply as a result of issues relating to the City's water supply system. As a result, the District customers experienced an interruption of water supply service as a result of Winter Storm Uri. The District experienced no interruptions of wastewater service as a result of Winter Storm Uri. The District cannot predict the impact of future winter weather events.

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments after Disaster

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

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

Harris County and City of Houston Floodplain Regulations

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

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

The City of Houston floodplain regulations govern construction projects in the corporate limits of the City of Houston (where land in the District is not currently located) and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

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

Atlas 14

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

THE BONDS

General

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

The Bonds will bear interest at the per annum rates and are scheduled to mature on March 1 in the years and as to the principal amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds accrues from August 1, 2024, and will be payable semiannually on March 1, 2025, and each September 1 and March 1 thereafter until maturity or earlier redemption. Such interest on the Bonds due on each interest payment date will be payable to the persons in whose names such Bonds are registered (the "Registered Owner") as of the 15th day (whether or not a business day) of the calendar month prior to each interest payment date (the "Record Date").

Principal and redemption price of the Bonds are payable at the principal payment office of The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") upon presentation and surrender of the Bonds.

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

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

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

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

Authority for Issuance

The Bonds constitute the District's third issue of bonds. The Bonds were authorized at elections held within the District on November 13, 1982. Subsequent to the sale and delivery of the Bonds the District will have \$4,445,000 authorized but unissued bonds.

The Bonds are issued by the District pursuant to the November 13, 1982 election and to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended.

Optional Redemption

The Bonds with stated maturities on and after March 1, 2030, may be redeemed at the option of the District on notice mailed to the Registered Owners thereof not less than 30 days prior to the Redemption Date as provided in the Bond Order, as a whole or from time to time in part on any date prior to their stated maturity, but not before March 1, 2029, upon payment of the redemption price which will be the principal amount thereof together with interest, if any, accrued thereon from the most recent interest payment date to the redemption date. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the district, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity.

Mandatory Redemption

The Bonds maturing March 1 in the years 2032, 2035, 2037, 2039, 2041, 2043, 2045, 2047, and 2050 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$175,000 Term Bonds, due March 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2030	\$50,000
March 1, 2031	\$50,000
March 1, 2032 (maturity)	\$75,000

\$225,000 Term Bonds, due March 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2033	\$75,000
March 1, 2034	\$75,000
March 1, 2035 (maturity)	\$75,000

\$150,000 Term Bonds, due March 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2036	\$75,000
March 1, 2037 (maturity)	\$75,000

\$200,000 Term Bonds, due March 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2038	\$100,000
March 1, 2039 (maturity)	\$100,000

\$200,000 Term Bonds, due March 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2040	\$100,000
March 1, 2041 (maturity)	\$100,000

\$200,000 Term Bonds, due March 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2042	\$100,000
March 1, 2043 (maturity)	\$100,000

\$250,000 Term Bonds, due March 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2044	\$125,000
March 1, 2045 (maturity)	\$125,000

\$250,000 Term Bonds, due March 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2046	\$125,000
March 1, 2047 (maturity)	\$125,000

\$400,000 Term Bonds, due March 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2048	\$125,000
March 1, 2049	\$125,000
March 1, 2050 (maturity)	\$150,000

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral 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.

Sources of and Security for Payment

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

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

Defeasance

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

Any money and Governmental Obligations deposited for such purpose shall be held by the Paying Agent/Registrar (or other bank or trust company) with which such deposit is made in a segregated account in trust or escrow for the Registered Owners of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on such Bonds when due, *except* that cash receipts may be withdrawn and paid to the District provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in this Section. No money or Governmental Obligations so deposited shall be invested or reinvested unless in Governmental Obligations and unless such money and

Governmental Obligations not invested and such new investments are together certified by an independent public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

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

Strategic Partnership Agreement:

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general-purpose annexation or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many other districts in its extraterritorial jurisdiction, no such agreement is currently contemplated with respect to the District although no representation can be made regarding the future likelihood of an agreement.

Funds

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

Issuance of Additional Debt

If authorized by the District's voters and by the Board, and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created (see "THE DISTRICT"). The District's voters have authorized the issuance of \$13,500,000 principal amount of bonds at an election held within the District, of which \$4,445,000 will remain unissued after the sale of the Bonds, for the purpose of providing waterworks, sanitary sewer, and drainage facilities located within the District, and for the purpose of refunding such previously issued bonds. The District may authorize additional amounts in future elections. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. In the Bond Order the District further reserves the right to issue revenue bonds, inferior lien bonds, refunding bonds and other obligations.

Successor Paying Agent/Registrar

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

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

Registration, Transfer, and Exchange

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

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

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

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

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

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 45 calendar days of the redemption date.

Replacement of Mutilated, Lost or Stolen Bonds

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

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

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

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon nor guarantee the safety or appropriateness of the Bonds as an investment, nor pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to

DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

USE OF BOND PROCEEDS

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

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

<u>CONSTRUCTION COSTS:</u>	<u>Total Amount</u> (a)
Beechnut Park Water Line Replacement	\$1,082,000
Water Plant Recoating	\$200,000
Engineering	\$316,500
Contingency	<u>\$128,200</u>
TOTAL CONSTRUCTION COSTS	\$1,726,700
<u>NON-CONSTRUCTION COSTS:</u>	
Legal Fees	\$41,000
Fiscal Agent Fees	\$41,000
Capitalized Interest	\$93,938
Bond Discount	\$60,555
Bond Issuance Expenses	\$25,125
Bond Application Report	\$45,000
Attorney General Fee	\$2,050
TCEQ Bond Issuance Fee	\$5,125
Contingency	<u>\$9,507</u> (b)
TOTAL NON-CONSTRUCTION COSTS	\$323,300
TOTAL BOND ISSUE REQUIREMENT	<u>\$2,050,000</u>

-
- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities; none of the facilities being financed with Bond proceeds are developer contribution items.
- (b) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement.

THE DISTRICT

Authority, Purpose, and Functions

The District is a conservation and reclamation district created by order of the Texas Water Commission, predecessor to the TCEQ, on December 9, 1980, in accordance with the pertinent provisions of Article XVI, Section 59 of the Texas Constitution, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may provide solid waste disposal and collection and is also empowered to establish, operate, and maintain firefighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the TCEQ and the voters of the District. The District is also authorized to construct and acquire park and recreational facilities and may issue bonds for such purposes after approval by the City of Houston, the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston that limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. See "THE SYSTEM – General.

Description and Location

The District is located in southwest Harris County, approximately 20 miles from Houston's central business district. The District is wholly within the extraterritorial jurisdiction of the City of Houston (the "City"). The District is bounded on the east by Eldridge Road, on the west by Sugarland-Howell Road, and on the south by Renn Road. Beechnut Road runs east and west through the District. The District is bounded on the east by Bissonnet Municipal Utility District, on the south by Renn Road Municipal Utility District, on the north by Harris County Municipal Utility District No. 158, and on the west by Mission Bend Municipal Utility District No. 2. The District is located within the Alief Independent School District.

Summary of Land Use

A summary of the approximate land use in the District appears in the following table as of June 1, 2024:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Fully Developed Acres	211	
Acres Currently Being Developed	0	
Remaining Developable Acres	0	
Other Undevelopable Acres	50	(a)
Total Approximate Acres	261	

(a) Includes undevelopable acres for streets, parks, recreational/open spaces, detention/drainage facilities and City sites.

Status of Single-Family Residential Development

The following is an approximate tabulation of residential building development in the District of June 1, 2024.

<u>Section</u>	<u>Approx. Acres</u>	<u>Single Family Homes</u>		<u>Vacant Developed Lots</u>	<u>Total Lots</u>
		<u>Complete</u>	<u>Under Construction</u>		
Beechnut Park, Section 1	8.27	101	0	0	101
Beechnut Park, Section 2	12.04	87	0	0	87
Branford Park, Section 1	32.24	128	0	0	128
Wellington Circle Homes	2.00	14	0	0	14
Ashford Homes	4.02	25	0	0	25
TOTAL	58.57	355 (a)	0	0	355

(a) As of June 1, 2024, there was 347 occupied single-family residences in the District.

Status of Commercial Development:

The commercial development in the District as of June 1, 2024 consists of an indoor family entertainment park/arcade and a small commercial strip center (that includes approximately 6 retail establishments), approximately 298 multifamily units, 54 Rosewood Townhomes, 6 small professional office establishments, and a convenience store.

Other Building Developments in the District:

The District currently provides water/sewer service to the following entities that are exempt from property taxes: an Alief ISD elementary school, 5 churches, 251-unit not-for-profit senior citizen assisted living center, a fire station, and a county park. Additionally the District serves an Alief ISD high school as an out-of-District customer.

Management of the District

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bryan S. Johnson	President	2024
Juvic Alcanse	Vice President	2024
Patricia Cardenas	Secretary	2026
Sylvia Ruffin	Treasurer	2026
Vacant	Director	2028

The District does not employ a general manager or any other full-time employees. The District has contracted the bookkeeping, tax assessing and collecting services, annual auditing of its financial statements and other services as follows.

Tax Assessor/Collector - The District's Tax Assessor/Collector is Utility Tax Service, LLC, is employed and represents approximately 200 utility districts.

Bookkeeper - The District's Bookkeeper is Municipal Accounts & Consulting, LP which acts as bookkeeper for approximately 150 special districts.

Engineer - The consulting engineer for the District is Sander Engineering Corporation (the "Engineer").

Auditor – The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. A copy of the District's audited financial statements for the fiscal year ended December 31, 2023, is included in Appendix A hereto.

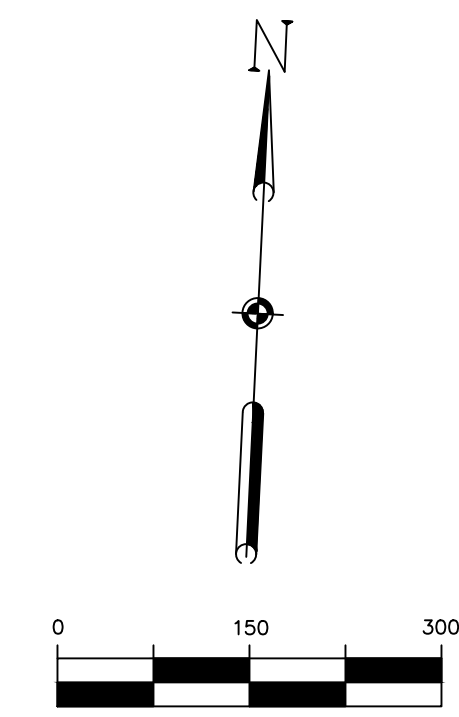
Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District and is paid an hourly consulting fee for certain services rendered from time to time. The GMS Group, L.L.C., has served in the capacity as Financial Advisor relative to the issuance of the Bonds and will be paid a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

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

Disclosure Counsel – Allen Boone Humphries Robinson LLP, Houston, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Investments of the District

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



LEGEND

-
- DISTRICT BOUNDARY
- EXISTING WATER LINE
- EXISTING SANITARY SEWER
- EXISTING STORM SEWER
- FIRE HYDRANT
- MANHOLE
- 6" SERVICE



**BEECHNUT
MUNICIPAL UTILITY DISTRICT
OVERALL UTILITY
LAYOUT**

REVISIONS		
NO.	DATE	DESCRIPTION
DATE: FEBRUARY 2024		JOB NO. 92-067
SCALE: 1"=150'		SHEET NO. 1

AERIAL PHOTOGRAPH



THE SYSTEM

Regulation and Description of the System

The District's water, wastewater and storm drainage facilities have been designed in accordance with accepted engineering practices and the recommendations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the Texas Department of Health, the City of Houston, Harris County, Harris County Flood Control District and the Harris-Galveston Subsidence District ("HGSD"). According to the Engineer, the designs of all such facilities have been approved by all required governmental agencies and by the TCEQ. Operation of the District's waterworks and wastewater facilities are subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, the Texas Department of Health and the Harris-Galveston Subsidence District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

The water, wastewater and storm drainage facilities of the District and the accompanying rights of use therein are described below, based upon information obtained from the District's records.

-Water, Sanitary Sewer and Drainage Lines-

Water, sanitary sewer and drainage facilities have been constructed to serve substantially all of the acres in the District. The District's drainage system consists of storm sewer pipe serving all of the 211 developable acres in the District. There are no onsite drainage ditches. The District has paid a cash contribution to the Harris County Flood Control District for its share of the capacity in an offsite drainage ditch. According to the District's Engineer, all drainage systems within the District have been accepted into the permanent maintenance program of the Harris County Public Infrastructure and none of the land in the District is located within the 100-year flood plain.

-Wastewater System-

The District owns and operates a wastewater collection system within its boundaries to provide wastewater treatment services to its customers. Wastewater treatment is provided by the District's 0.94 million gallons per day ("MGD") shared wastewater treatment plant, operating under TPDES Permit No. WQ0012258001, which authorizes an ultimate discharge of 1.38 MGD. Based on 300 gallons per day ("gpd") per equivalent single-family connections ("ESFC's"), the plant has a capacity for 3,133 ESFCs.

The District has entered into a Waste Disposal Agreement with Bissonnet MUD. Pursuant to the agreement, the District is allocated 42.25% of the capacity (1,324 ESFCs) and Bissonnet MUD is allocated 57.75% of the capacity (1,809 ESFCs).

-Water Supply-

The District's water supply system is capable of serving approximately 1,750 ESFC's. The District is currently serving approximately 909 ESFC's. The Water System consists of a permanent water plant including one 2,000 gallon per minute water well, one 500,000-gallon ground storage tank, two 25,000-gallon hydropneumatic tanks and related equipment, booster pumps totaling 3,500 gallons per minute, and major water distribution lines.

-Surface Water Conversion-

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to purchase treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority's GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. As of January 1, 2024, the Authority will charge the District, and other major water users, fees per 1,000 gallons based on the amount of groundwater pumped by the District, a rate of \$3.95. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue substantial amounts of bonds by the year 2030 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period. The District passes such fees on to customers of the District's water supply system.

Under the Subsidence District regulations and the GRP, the Authority is required to (i) limit groundwater withdrawals to no more than 70% of the total water demand within the Authority's GRP beginning in the year 2010 [this goal has been met]; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority's GRP beginning in the year 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning in the year 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a substantial disincentive

fee penalty in the amount of \$11.86 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the continued need to pass such fees through to its customers through higher water rates. In addition, conversion to surface water could necessitate improvements to the water supply system which could require the issuance of additional bonds by the District. No representation is made that the 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.

Summary of the Rate Order:

The Board of directors establishes the rates and fees for water and wastewater such rates and fees, which are subject to change from time to time. The following rates became effective on May 28, 2024.

- Water Service -

Residential (Single Family) Homes:

First 5,000 gallons	\$20.00 (minimum)
5,001 to 10,000 gallons	An additional \$2.00 per 1,000 gallons
10,001 to 15,000 gallons	An additional \$2.50 per 1,000 gallons
15,001 gallons and over	An additional \$3.00 per 1,000 gallons

- Sewer Service -

Residential (Single Family) Homes:

0 gallons and over	\$31.00 (flat rate fee)
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The District will add a surcharge to the monthly water service rate billed to all customers equal to \$4.42 per 1,000 gallons of water for payment of the West Harris County Regional Water Authority fee and related costs. This surcharge will increase automatically if the West Harris County Regional Water Authority increases its fee.

General Fund Operating History

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

	Fiscal Year Ended December 31 (a)				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES					
Property taxes	\$179,257	\$159,473	\$150,011	\$144,906	\$135,048
Water service	\$346,277	\$255,169	\$256,369	\$256,545	\$289,263
Sewer service	\$290,205	\$236,326	\$241,356	\$221,286	\$252,134
Regional water fee	\$289,533	\$274,398	\$267,609	\$277,917	\$274,591
Penalty and interest	\$17,077	\$12,522	\$8,120	\$12,666	\$9,815
Tap connection and inspection fees	\$6,200	\$6,720	\$6,000	\$26,158	\$11,500
Investment income	<u>\$74,231</u>	<u>\$17,260</u>	<u>\$8,060</u>	<u>\$31,372</u>	<u>\$57,514</u>
TOTAL REVENUES	\$1,202,780	\$961,868	\$937,525	\$970,850	\$1,029,865
EXPENDITURES					
Service operations:					
Purchased service	\$598,843	\$384,981	\$1,080,207	\$976,469	\$461,874
Professional fees	\$162,885	\$136,137	\$100,780	\$110,044	\$99,175
Contracted services	\$100,337	\$73,315	\$60,419	\$63,473	\$61,089
Repairs and maintenance	\$191,398	\$114,330	\$140,056	\$165,444	\$145,200
Other expenditures	\$48,958	\$49,614	\$39,318	\$39,424	\$53,762
Tap connections	-	-	-	\$9,050	-
Capital Outlay	<u>\$8,075</u>	<u>-</u>	<u>\$45,173</u>	<u>-</u>	<u>\$18,000</u>
TOTAL EXPENDITURES (b)	\$1,110,496	\$758,377	\$1,465,953	\$1,363,904	\$839,100
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$92,284	\$203,491	(\$528,428)	(\$393,054)	\$190,765
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	<u>(\$12,053)</u>	<u>-</u>	<u>(\$17,114)</u>	<u>\$6,445</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$80,231	\$203,491	(\$545,542)	(\$386,609)	\$190,765
BEGINNING FUND BALANCE	<u>\$1,759,482</u>	<u>\$1,555,991</u>	<u>\$2,101,533</u>	<u>\$2,488,142</u>	<u>\$2,297,377</u>
ENDING FUND BALANCE	<u>\$1,839,713</u>	<u>\$1,759,482</u>	<u>\$1,555,991</u>	<u>\$2,101,533</u>	<u>\$2,488,142</u>

(a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended December 31, 2023.

(b) As of May 31, 2024, the District's General Fund had an unaudited cash and investment balance of approximately \$1,756,264. For the fiscal year ending December 31, 2024 the District is currently budgeting General Fund revenues of \$1,381,449 and General Fund expenditures of \$1,239,188.

DISTRICT DEBT
(Unaudited)

2023 Certified Taxable Value	\$101,609,151	(a)
Direct Debt		
Outstanding Bonds (as of July 1, 2024)	\$1,505,000	
The Bonds	<u>\$2,050,000</u>	
Total Direct Debt	\$3,555,000	
Estimated Overlapping Debt	<u>\$2,671,648</u>	
Direct and Estimated Overlapping Debt	\$6,226,648	
Percentage of Direct Debt to:		
2023 Certified Taxable Value	3.50%	
Percentage of Direct and Overlapping Debt to:		
2023 Certified Taxable Value	6.13%	
2023 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.3500	
Maintenance Tax	<u>\$0.1947</u>	
Total 2023 Tax Rate	\$0.5447	

(a) Reflects the 2023 Certified Taxable Value according to data supplied to the District by HCAD. See "TAX DATA" and "TAXING PROCEDURES"

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purpose in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction (a)</u>	<u>Approximate Outstanding Bonds</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Alief Independent School District	\$405,197,000	0.50%	\$2,039,598
Harris County	\$1,578,511,319	0.02%	\$243,981
Harris County Flood Control District	\$991,095,000	0.02%	\$156,518
Port of Houston Authority	\$426,134,397	0.02%	\$67,303
Harris County Hospital District	\$70,970,000	0.02%	\$11,206
Harris County Department of Education	\$13,865,000	0.02%	\$2,143
Houston Community College System	\$422,215,000	0.04%	\$150,898
Total Estimated Overlapping Debt			\$2,671,648
The District's Direct Debt (b)			<u>\$3,555,000</u>
Total Direct and Estimated Overlapping Debt			\$6,226,648

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

(b) Includes the Bonds.

TAX DATA

Tax Collections

The following table sets forth the historical tax collection experience of the District for the tax years 2019 through 2023 as of March 31, 2024. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information. According to the District's records during the past 10 years current tax collections have exceeded 97%.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Collections</u>	<u>Cumulative Collections %</u>	<u>Year End 9/30</u>
2023	\$101,609,151	\$0.5447	\$553,465	\$553,465	97% (a)	2024
2022	\$90,976,575	\$0.5500	\$501,003	\$500,371	99%	2023
2021	\$80,747,368	\$0.5800	\$468,693	\$468,335	100%	2022
2020	\$75,760,446	\$0.5900	\$446,987	\$446,987	100%	2021
2019	\$72,760,037	\$0.6000	\$436,560	\$436,560	100%	2020

(a) The 2023 taxes are in the process of collections; such taxes became delinquent if not paid before February 1, 2024. See "TAXING PROCEDURES."

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2019 through and including 2023.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Debt Service	\$0.3500	\$0.35	\$0.38	\$0.39	\$0.40
Maintenance/Operation	<u>\$0.1947</u>	<u>\$0.20</u>	<u>\$0.20</u>	<u>\$0.20</u>	<u>\$0.20</u>
Total	\$0.5447	\$0.55	\$0.58	\$0.59	\$0.60

Additional Penalties

The District has contract with a delinquent tax attorney to collect certain delinquent taxes. In connection with that agreement, the District has established an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that

either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent, or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements; such maintenance tax was authorized by vote of the District's electors November 13, 1982. The District is authorized to levy such a maintenance tax in an unlimited amount per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future. The District levied a 2023 maintenance tax of \$0.1947 per \$100 assessed valuation.

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for 2019 through 2023.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuation</u>	<u>Exemptions</u>	<u>Taxable Valuation</u> (a)
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2023	\$53,888,963	\$126,837,962	\$3,588,206	\$184,315,131	\$82,705,980	\$101,609,151
2022	\$47,748,100	\$107,519,743	\$4,111,820	\$159,379,663	\$68,403,088	\$90,976,575
2021	\$45,455,250	\$95,269,201	\$3,003,513	\$143,727,964	\$62,980,596	\$80,747,368
2020	\$42,803,432	\$92,363,173	\$3,436,408	\$138,603,013	\$62,842,567	\$75,760,446
2019	\$42,315,444	\$91,747,940	\$3,408,641	\$137,472,025	\$64,711,988	\$72,760,037

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

Estimated Overlapping Taxes

The following table sets forth all 2023 taxes levied by overlapping taxing jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2023 Tax Rate per \$100 Assessed Valuation</u>
Alief Independent School District	\$0.986700
Harris County (a)	\$0.535090
Houston Community College	\$0.092231
Harris-Fort Bend ESD 100	<u>\$0.085336</u>
Overlapping Taxes	\$1.699357
 The District	 \$0.544700
Direct and Overlapping Taxes	\$2.44057

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

Principal Taxpayers

The following table sets forth the District's principal taxpayers and was provided by the District's Tax Assessor/Collector based upon the 2023 certified tax roll (which reflects ownership of property as of January 1, 2023) according to HCAD.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2023 Taxable Value</u>	<u>% of Total</u>
Beechnut Oaks LP	Land, Improvement & Personal	\$8,077,160	7.95%
West Ten Development LP	Land & Improvement	\$4,653,219	4.58%
Beechnut Crossing LLC	Land & Improvement	\$3,198,790	3.15%
Nighat Khawar and Sons LLC	Land & Improvement	\$1,746,728	1.72%
10590 West Office LLC	Land & Improvement	\$1,382,341	1.36%
Christ Tower Ministries International	Land	\$1,193,254	1.17%
Gul Limited Partnership	Land & Improvement	\$1,050,898	1.03%
BVM Holdings LLC	Land	\$867,295	0.85%
Centerpoint Energy HOU ELE	Personal	\$814,460	0.80%
Funplex	Personal	<u>\$697,103</u>	<u>0.69%</u>
		\$23,681,248	23.31%

Tax Adequacy for Debt Service

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

Maximum Annual Debt Service Requirements (2025)..... \$414,750

\$0.43 Tax Rate on the 2023 Taxable Value of \$101,609,151
@ 95% collections produces..... \$415,073

TAXING PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

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

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

Senior Citizen/Disabled Exemptions: The District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. The District has granted a \$20,000 senior citizen/disabled exemption for tax year 2023.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has granted a 20% residential homestead exemption for the 2023 tax year; it is currently anticipated that the District will continue to grant a residential a homestead exemption in future years.

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

Tax Abatement

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

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special value as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland.

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

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

Taxpayer Remedies

The Appraisal Review Board has responsibility for resolving disputes between taxpayers and the Appraisal District. It is also empowered to determine challenges initiated by taxing units, correct clerical errors in the appraisal records and the appraisal rolls, act on motions to correct appraisal rolls, and determine whether an exemption or a partial exemption is improperly granted. The Appraisal Review Board is independent of the Appraisal District. In counties with more than 120,000 in population, such as Harris County, the local administrative district judge appoints the appraisal review board members.

A property owner is entitled to protest the value of a tract of property before the Appraisal Review Board in the following circumstances: the value the Appraisal District placed on the property is too high; the property was unequally appraised; the Appraisal District denied a special appraisal, such as open-space land; the Appraisal District failed to provide the property owner with required notices; or as otherwise permitted under the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, such as Harris County, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

A property owner who files a protest must pay the amount of taxes due on the portion of the taxable value of the property subject to the protest that is not in dispute before the delinquency date or the property owner forfeits the right to proceed to a final determination of the protest.

Property owners who are dissatisfied with the decision of the Appraisal Review Board may appeal the decision. Depending upon the circumstances, the property owner may be able to require the Appraisal District to go to binding arbitration or to have the appeal heard by the State Office of Administrative Hearings.

If those remedies are not available or if the property owner prefers, it has the right to appeal the decision of the Appraisal Review Board to the state district court in which the property is located. The district court review is by trial de novo, and the district court is required

to try all issues of fact and law raised by the pleadings in the manner applicable to civil suits generally. Any party is entitled to trial by jury on demand. The district court will grant relief if it determines that the appraised value of the property exceeds the appraised value required by law or the property is appraised unequally.

A party may appeal the final judgment of the district court as provided by law for appeal of civil suits generally, except that an appeal bond is not required of the chief appraiser, the county, the comptroller, or the commissioners court.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months (as determined by the District). Additionally, the owner of a residential homestead property who is (i) a person 65 years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Notice and Hearing Procedures

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2023 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

Delinquent Tax Payments for Disaster Areas

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

The Effect of FIRREA on Tax Collections of the District

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

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

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic.

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

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be subject to and accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the tax revenue and net revenues of the System (as defined in the Bond Order), based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, subject to the matters described in "TAX MATTERS" below, interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and interest on the Bonds will not be subject to the federal alternative minimum tax on the owners thereof.

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

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

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

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

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

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

the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

The Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

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

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and certifies its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access ("EMMA"), within six months after the end of each fiscal year of the District ending in or after 2024, the financial information found in "APPENDIX A" of this Official Statement. If audited financial statements for the District are not available within such period, then the District shall provide its audited financial statements for the applicable fiscal year to the MSRB via EMMA when such audited financial statements become available.

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

Event Notices

The District will provide timely notices of certain events to the MRSB, 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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to

covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provisions 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."

Limitations and Amendments

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

Sources of Information

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

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

Financial Advisor

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

Consultants

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

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

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

Auditor - The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. A copy of the District's audited financial statements for the fiscal year ended December 31, 2023, is included in Appendix A hereto.

Updating of Official Statement

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

Certification of Official Statement

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

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

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FISCAL YEAR ENDED DECEMBER 31, 2023



Beechnut Municipal Utility District Harris County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2023



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2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056

P 713.499.4600 / F 713.499.4699

forvis.com

Independent Auditor's Report

Board of Directors
Beechnut Municipal Utility District
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Beechnut Municipal Utility District (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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 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 (GAAS). 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 these 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 12 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 GAAS 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 GAAS, 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 schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

FORVIS, LLP

**Houston, Texas
May 13, 2024**

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

**Beechnut Municipal Utility District
Management's Discussion and Analysis (Continued)
December 31, 2023**

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2023	2022
Current and other assets	\$ 3,688,386	\$ 3,639,245
Capital assets	<u>2,881,068</u>	<u>2,958,556</u>
Total assets	6,569,454	6,597,801
Deferred outflows of resources	<u>4,653</u>	<u>5,436</u>
Total assets and deferred outflows of resources	<u>\$ 6,574,107</u>	<u>\$ 6,603,237</u>
Long-term liabilities	\$ 1,790,000	\$ 2,075,000
Other liabilities	<u>319,902</u>	<u>439,351</u>
Total liabilities	<u>2,109,902</u>	<u>2,514,351</u>
Deferred inflows of resources	<u>553,356</u>	<u>502,004</u>

**Beechnut Municipal Utility District
Management's Discussion and Analysis (Continued)
December 31, 2023**

Summary of Net Position (Continued)

	2023	2022
Net position:		
Net investment in capital assets	\$ 1,095,721	\$ 888,992
Restricted	969,325	932,663
Unrestricted	<u>1,845,803</u>	<u>1,765,227</u>
Total net position	<u><u>\$ 3,910,849</u></u>	<u><u>\$ 3,586,882</u></u>

The total net position of the District increased by \$323,967, or about 9%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 493,843	\$ 463,323
Charges for services	1,296,007	1,340,434
Other revenues	<u>149,061</u>	<u>67,128</u>
Total revenues	<u>1,938,911</u>	<u>1,870,885</u>
Expenses:		
Services	1,428,009	1,207,173
Depreciation	155,138	156,809
Debt service	<u>31,797</u>	<u>35,898</u>
Total expenses	<u>1,614,944</u>	<u>1,399,880</u>
Change in net position	323,967	471,005
Net position, beginning of year	<u>3,586,882</u>	<u>3,115,877</u>
Net position, end of year	<u><u>\$ 3,910,849</u></u>	<u><u>\$ 3,586,882</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2023, were \$2,799,691, an increase of \$115,545 from the prior year.

The general fund's fund balance increased by \$80,231, primarily due to property tax and service revenues in excess of service operation expenditures.

The water plant fund's fund balance remained the same as all expenditures were billed to the participants.

**Beechnut Municipal Utility District
Management's Discussion and Analysis (Continued)
December 31, 2023**

The wastewater treatment plant fund's fund balance increased by \$12,053, due to a transfer from the general fund for an increase in its share of the reserve.

The debt service fund's fund balance increased by \$23,261, because property tax revenues and investment income were greater than bond principal and interest requirements.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water and sewer service revenues, investment income and purchased services and repairs and maintenance expenditures being greater than anticipated. The fund balance as of December 31, 2023, was expected to be \$1,814,652 and the actual end-of-year fund balance was \$1,839,713.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2023	2022
Land and improvements	\$ 211,000	\$ 211,000
Construction in progress	71,586	13,080
Water facilities	513,809	583,532
Wastewater facilities	<u>2,084,673</u>	<u>2,150,944</u>
Total capital assets	<u><u>\$ 2,881,068</u></u>	<u><u>\$ 2,958,556</u></u>

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

Construction in progress related to the wastewater treatment plant motor control center replacement and water plant disinfection modifications	\$ 58,506
New 50-horsepower booster pump No. 1 motor	8,377
New blower motor No. 3	7,828
Wastewater treatment plant rehabilitation of Unit Nos. 1 and 2	<u>2,939</u>
Total additions to capital assets	<u><u>\$ 77,650</u></u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Long-term debt payable, beginning and end of year	\$ 2,075,000
Decreases in long-term debt	<u>(285,000)</u>
Long-term debt payable, end of year	<u><u>\$ 1,790,000</u></u>

**Beechnut Municipal Utility District
Management's Discussion and Analysis (Continued)
December 31, 2023**

At December 31, 2023, the District had \$6,495,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds are not rated.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Beechnut Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2023

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	\$ 137,314	\$ 108,661	\$ 32,247	\$ 152,631	\$ 430,853	\$ -	\$ 430,853
Certificates of deposit	680,000	-	-	-	680,000	-	680,000
Short-term investments	928,612	-	-	882,691	1,811,303	-	1,811,303
Receivables:							
Property taxes	150,622	-	-	271,522	422,144	-	422,144
Service accounts	167,738	-	-	-	167,738	-	167,738
Accrued penalty and interest	-	-	-	-	-	7,725	7,725
Accrued interest	13,278	-	-	-	13,278	-	13,278
Interfund receivable	58,317	-	-	-	58,317	(58,317)	-
Due from others	72,432	-	2,151	-	74,583	-	74,583
Prepaid expenditures	750	-	-	-	750	-	750
Due from participants	-	62,486	80,253	-	142,739	(62,727)	80,012
Capital assets (net of accumulated depreciation):							
Land and improvements	-	-	-	-	-	211,000	211,000
Construction in progress	-	-	-	-	-	71,586	71,586
Infrastructure	-	-	-	-	-	2,598,482	2,598,482
Total assets	2,209,063	171,147	114,651	1,306,844	3,801,705	2,767,749	6,569,454
Deferred Outflows of Resources							
Deferred amount on debt refundings	-	-	-	-	-	4,653	4,653
Total assets and deferred outflows of resources	\$ 2,209,063	\$ 171,147	\$ 114,651	\$ 1,306,844	\$ 3,801,705	\$ 2,772,402	\$ 6,574,107

Beechnut Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
December 31, 2023

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	\$ 86,466	\$ 49,531	\$ 27,690	\$ -	\$ 163,687	\$ (62,727)	\$ 100,960
Accrued interest payable	-	-	-	-	-	10,084	10,084
Customer deposits	79,000	-	-	-	79,000	-	79,000
Operating deposits	-	73,187	45,784	-	118,971	-	118,971
Interfund payable	-	-	-	58,317	58,317	(58,317)	-
Retainage payable	-	-	10,887	-	10,887	-	10,887
Long-term liabilities:							
Due within one year	-	-	-	-	-	285,000	285,000
Due after one year	-	-	-	-	-	1,505,000	1,505,000
Total liabilities	<u>165,466</u>	<u>122,718</u>	<u>84,361</u>	<u>58,317</u>	<u>430,862</u>	<u>1,679,040</u>	<u>2,109,902</u>
Deferred Inflows of Resources							
Deferred property tax revenues	<u>203,884</u>	<u>-</u>	<u>-</u>	<u>367,268</u>	<u>571,152</u>	<u>(17,796)</u>	<u>553,356</u>

Beechnut Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
December 31, 2023

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Total	Adjustments	Statement of Net Position
Fund Balances/Net Position							
Fund balances:							
Nonspendable, prepaid expenditures	\$ 750	\$ -	\$ -	\$ -	\$ 750	\$ (750)	\$ -
Restricted, debt service on bonds	-	-	-	881,259	881,259	(881,259)	-
Committed:							
Water production and distribution	-	48,429	-	-	48,429	(48,429)	-
Wastewater collection and treatment	-	-	30,290	-	30,290	(30,290)	-
Assigned, future expenditures	229,267	-	-	-	229,267	(229,267)	-
Unassigned	1,609,696	-	-	-	1,609,696	(1,609,696)	-
Total fund balances	1,839,713	48,429	30,290	881,259	2,799,691	(2,799,691)	-
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,209,063</u>	<u>\$ 171,147</u>	<u>\$ 114,651</u>	<u>\$ 1,306,844</u>	<u>\$ 3,801,705</u>		
Net position:							
Net investment in capital assets						1,095,721	1,095,721
Restricted for plant operations						78,719	78,719
Restricted for debt service						890,606	890,606
Unrestricted						1,845,803	1,845,803
Total net position						<u>\$ 3,910,849</u>	<u>\$ 3,910,849</u>

Beechnut Municipal Utility District
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended December 31, 2023

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	\$ 179,257	\$ -	\$ -	\$ 314,228	\$ 493,485	\$ 358	\$ 493,843
Water service	346,277	-	-	-	346,277	-	346,277
Sewer service	290,205	-	-	-	290,205	-	290,205
Regional water fee	289,533	-	-	-	289,533	-	289,533
Water and sewer service	-	565,657	556,184	-	1,121,841	(751,849)	369,992
Penalty and interest	17,077	-	-	8,914	25,991	(270)	25,721
Tap connection and inspection fees	6,200	-	-	-	6,200	-	6,200
Investment income	74,231	-	662	42,247	117,140	-	117,140
Total revenues	1,202,780	565,657	556,846	365,389	2,690,672	(751,761)	1,938,911
Expenditures/Expenses							
Service operations:							
Purchased services	598,843	-	-	-	598,843	(598,843)	-
Regional water authority	-	353,940	-	-	353,940	-	353,940
Professional fees	162,885	4,401	11,925	1,060	180,271	-	180,271
Contracted services	100,337	17,780	54,307	18,732	191,156	-	191,156
Utilities	-	39,296	60,767	-	100,063	-	100,063
Repairs and maintenance	191,398	45,286	204,529	-	441,213	38,719	479,932
Other expenditures	48,958	30,802	38,170	4,717	122,647	-	122,647
Capital outlay	8,075	74,152	187,148	-	269,375	(269,375)	-
Depreciation	-	-	-	-	-	155,138	155,138
Debt service:							
Principal retirement	-	-	-	285,000	285,000	(285,000)	-
Interest and fees	-	-	-	32,619	32,619	(822)	31,797
Total expenditures/expenses	1,110,496	565,657	556,846	342,128	2,575,127	(960,183)	1,614,944

Beechnut Municipal Utility District
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
Year Ended December 31, 2023

	General Fund	Water Plant	Wastewater Treatment Plant	Debt Service Fund	Total	Adjustments	Statement of Activities
Excess of Revenues Over Expenditures	\$ 92,284	\$ -	\$ -	\$ 23,261	\$ 115,545	\$ 208,422	
Other Financing Sources (Uses)							
Interfund transfers in (out)	(12,053)	-	12,053	-	-	-	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	80,231	-	12,053	23,261	115,545	(115,545)	
Change in Net Position						323,967	\$ 323,967
Fund Balances/Net Position							
Beginning of year	1,759,482	48,429	18,237	857,998	2,684,146	-	3,586,882
End of year	<u>\$ 1,839,713</u>	<u>\$ 48,429</u>	<u>\$ 30,290</u>	<u>\$ 881,259</u>	<u>\$ 2,799,691</u>	<u>\$ -</u>	<u>\$ 3,910,849</u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Beechnut Municipal Utility District (the District) was created by an order of the Texas Water Rights Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective December 9, 1980, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

The District has two special revenue funds as follows:

Water Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is water service revenues.

Wastewater Treatment Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is sewer service revenues.

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2022 on the 2022 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2023, the tax levied in October 2023 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2024. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

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

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 2,881,068
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	17,796
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	7,725
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	4,653
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(10,084)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(1,790,000)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ 1,111,158</u></u>

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

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

Change in fund balances.	\$ 115,545
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current year.	(77,488)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	285,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	88
Some expenses previously reported in the statement of activities are reported as expenditures in governmental funds.	<u>822</u>
Change in net position of governmental activities.	<u><u>\$ 323,967</u></u>

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At December 31, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are report at net asset value.

At December 31, 2023, the District had the following investments and maturities.

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 1,811,303	\$ 1,811,303	\$ -	\$ -	\$ -

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at December 31, 2023, as follows:

Carrying value:	
Deposits	\$ 1,110,853
Investments	<u>1,811,303</u>
Total	<u>\$ 2,922,156</u>

Included in the following statement of net position captions:

Cash	\$ 430,853
Certificates of deposit	680,000
Short-term investments	<u>1,811,303</u>
Total	<u>\$ 2,922,156</u>

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

Investment Income

Investment income of \$117,118 for the year ended December 31, 2023, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of December 31, 2023:

- Pooled investments of \$1,811,303 are valued at fair value per share of the pool's underlying portfolio.

Note 3. Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 211,000	\$ -	\$ 211,000
Construction in progress	13,080	58,506	71,586
Total capital assets, non-depreciable	224,080	58,506	282,586
Capital assets, depreciable:			
Water production and distribution facilities	3,467,415	8,377	3,475,792
Wastewater collection and treatment facilities	3,990,948	10,767	4,001,715
Total capital assets, depreciable	7,458,363	19,144	7,477,507
Less accumulated depreciation:			
Water production and distribution facilities	(2,883,883)	(78,100)	(2,961,983)
Wastewater collection and treatment facilities	(1,840,004)	(77,038)	(1,917,042)
Total accumulated depreciation	(4,723,887)	(155,138)	(4,879,025)
Total governmental activities, net	\$ 2,958,556	\$ (77,488)	\$ 2,881,068

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2023, were as follows.

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
Direct placement bonds	<u>\$ 2,075,000</u>	<u>\$ 285,000</u>	<u>\$ 1,790,000</u>	<u>\$ 285,000</u>

Direct Placement Bonds

	Refunding Series 2020
Amount outstanding, December 31, 2023	\$1,790,000
Interest rate	1.69%
Maturity dates, serially beginning/ending	March 1, 2024/2029
Interest payment dates	March 1/ September 1
Callable date*	March 1, 2024

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on direct placement bonds outstanding at December 31, 2023:

Year	Principal	Interest	Total
2024	\$ 285,000	\$ 27,843	\$ 312,843
2025	290,000	22,984	312,984
2026	295,000	18,040	313,040
2027	300,000	13,013	313,013
2028	310,000	7,859	317,859
2029	<u>310,000</u>	<u>2,619</u>	<u>312,619</u>
Total	<u>\$ 1,790,000</u>	<u>\$ 92,358</u>	<u>\$ 1,882,358</u>

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

Bonds voted	\$ 13,500,000
Bonds sold	7,005,000

Note 5. Significant Bond Order and Commission Requirements

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended December 31, 2023, the District levied an ad valorem debt service tax at the rate of \$0.3500 per \$100 of assessed valuation, which resulted in a tax levy of \$355,562 on the taxable valuation of \$101,589,151 for the 2023 tax year. The interest and principal requirements to be paid from the tax revenues are \$312,843.

Note 6. Maintenance Taxes

At an election held November 13, 1982, voters authorized a maintenance tax not to exceed \$0.20 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended December 31, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.1947 per \$100 of assessed valuation, which resulted in a tax levy of \$197,794 on the taxable valuation of \$101,589,151 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Contracts With Other Districts

On October 2, 1981, the District entered into a contract with Bissonnet Municipal Utility District (Bissonnet) and Harris County Municipal Utility District No. 177 (District No. 177) for the construction and operating costs of joint wastewater treatment facilities. The District is the operator of the facilities and holds title. The term of the contract is 40 years. The contract was amended on March 1, 2022, to extend the term of the contract until March 1, 2023, and was amended again on March 1, 2023, to continue the contract from month to month while the districts negotiate the terms of a long-term extension of the contract.

On June 15, 1982, the District entered into a contract with Bissonnet and District No. 177 for the construction and operation of joint water facilities. The District is the operator of the facilities and holds title. The term of the contract is 40 years. The contract was amended on March 1, 2022, to extend the term of the contract until March 1, 2023 and was amended again on March 1, 2023, to continue the contract from month to month while the districts negotiate the terms of a long-term extension of the contract.

Under these contracts, each district agreed to pay its pro rata share of construction costs and major repairs. Fixed operating costs were to be shared based on the pro rata share of each facility's capacity, and variable operating costs were based on the number of active connections for each district. Bissonnet and District No. 177 protested the manner of sharing costs since neither district had regular flow into the facilities nor utilized the water supply. In 1997, the participants entered into a settlement agreement and amended the agreement. According to the terms of the amended agreement, Bissonnet and District No. 177 shall pay a fixed monthly operating charge in the plants, with such amounts increasing 4% each year during the term of the contract. In addition, the districts share equipment repair and replacement costs in excess of \$7,500 based on capacity owned. Each district is required to maintain a reserve equal to twice the fixed monthly operating charges then in effect, plus estimated variable charges as applicable. Effective August 2002 and March 2004, Bissonnet began participating in the wastewater treatment plant and in the water plant, respectively. During 2004, District No. 177 dissolved and the majority of the land was annexed by Bissonnet.

The joint water facilities contract was amended effective June 1, 2023. According to the contract, Bissonnet's share of the monthly costs for the applicable monthly billing period shall be equal to the greater of (i) its pro rata share of water usage from the Plant during such billing period or (ii) 10%. The contract will terminate following the billing of and payment for the May 2024 monthly costs of the Plant, to take place in June 2024.

Beechnut Municipal Utility District
Notes to Financial Statements
December 31, 2023

The districts entered into a Waste Disposal Agreement (the Agreement) as of June 1, 2023. Under the Agreement, capital improvements or extraordinary repair projects that were initiated under the prior contract and were not completed or billed on the commencement date of the Agreement will be paid for pursuant to the terms of the prior contract, with Bissonnet to pay 72.2% and the District to pay 27.8%. Capital improvements and extraordinary repair projects initiated after the commencement of the Agreement will be paid for based on the equivalent single-family connections allocated to each district under the Agreement based on existing and projected future usage, with Bissonnet initially being allocated 57.74% and the District being allocated 42.26%. These allocations may be changed if one of the districts is able to use a portion of the excess capacity in the plant and the other party requests a re-allocation. Fixed operating costs will be paid for in the same manner as capital improvements and extraordinary repair projects, with Bissonnet initially being allocated 57.74% and the District being allocated 42.26%. Variable operating costs will be paid for based on the monthly metered water usage in each district's service area obtained from each district's operator.

The districts proportionate share of the rated capacity in each plant are as follows:

	Water Plant	Wastewater Treatment Plant
The District	90.00 %	42.26 %
Bissonnet	10.00	57.74
Totals	100.00 %	100.00 %

Operating reserve balances from Bissonnet, at December 31, 2023, were \$118,971. During the current year, the District billed Bissonnet \$522,995 under terms of the agreement for operating and maintenance costs and costs related to rehabilitation of the facilities.

Note 8. Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of December 31, 2023, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future adjustments.

Note 9. Risk Management

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

Required Supplementary Information

Beechnut Municipal Utility District
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 176,600	\$ 179,257	\$ 2,657
Water service	262,000	346,277	84,277
Sewer service	235,000	290,205	55,205
Regional water fee	306,900	289,533	(17,367)
Penalty and interest	8,290	17,077	8,787
Tap connection and inspection fees	6,600	6,200	(400)
Investment income	7,270	74,231	66,961
Total revenues	1,002,660	1,202,780	200,120
Expenditures			
Service operations:			
Purchased services	485,700	598,843	(113,143)
Professional fees	199,500	162,885	36,615
Contracted services	64,000	100,337	(36,337)
Repairs and maintenance	138,200	191,398	(53,198)
Other expenditures	60,090	48,958	11,132
Capital outlay	-	8,075	(8,075)
Total expenditures	947,490	1,110,496	(163,006)
Excess of Revenues Over Expenditures	55,170	92,284	37,114
Other Financing Uses			
Interfund transfers out	-	(12,053)	(12,053)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	55,170	80,231	25,061
Fund Balance, Beginning of Year	1,759,482	1,759,482	-
Fund Balance, End of Year	<u>\$ 1,814,652</u>	<u>\$ 1,839,713</u>	<u>\$ 25,061</u>

Beechnut Municipal Utility District
Budgetary Comparison Schedule – Water Plant
Year Ended December 31, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service to other districts	\$ 585,060	\$ 565,657	\$ (19,403)
Expenditures			
Service operations:			
Regional water authority	347,500	353,940	(6,440)
Professional fees	4,000	4,401	(401)
Contracted services	7,500	17,780	(10,280)
Utilities	41,700	39,296	2,404
Repairs and maintenance	147,700	45,286	102,414
Other expenditures	36,660	30,802	5,858
Capital outlay	-	74,152	(74,152)
Total expenditures	585,060	565,657	19,403
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	48,429	48,429	-
Fund Balance, End of Year	\$ 48,429	\$ 48,429	\$ -

Beechnut Municipal Utility District
Budgetary Comparison Schedule – Wastewater Treatment Plant
Year Ended December 31, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service to other districts	\$ 966,160	\$ 556,184	\$ (409,976)
Investment income	-	662	662
Total revenues	966,160	556,846	(409,314)
Expenditures			
Service operations:			
Purchased services	4,000	-	4,000
Professional fees	12,500	11,925	575
Contracted services	44,300	54,307	(10,007)
Utilities	65,000	60,767	4,233
Repairs and maintenance	179,000	204,529	(25,529)
Other expenditures	31,360	38,170	(6,810)
Capital improvements	630,000	187,148	442,852
Total expenditures	966,160	556,846	409,314
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	12,053	12,053
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	12,053	12,053
Fund Balance, Beginning of Year	18,237	18,237	-
Fund Balance, End of Year	\$ 18,237	\$ 30,290	\$ 12,053

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general, water plant and wastewater treatment plant funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund, water plant and wastewater treatment plant were not amended during 2023.

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

Supplementary Information

Beechnut Municipal Utility District
Other Schedules Included Within This Report
December 31, 2023

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 14-24
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Beechnut Municipal Utility District
Schedule of Services and Rates
Year Ended December 31, 2023

1. Services provided by the District:

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

2. Retail service providers

a. 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 Levels	
Water:	\$ 20.00	5,000	N	\$ 2.00	5,001 to	10,000
				\$ 2.50	10,001 to	15,000
				\$ 3.00	15,001 to	No Limit
Wastewater:	\$ 31.00	0	Y			
Regional water fee:	\$ 4.42	1,000	N	\$ 4.42	1,001 to	No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 74.20	Wastewater \$	31.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	4	2	x1.0	2
≤ 3/4"	357	350	x1.0	350
1"	8	8	x2.5	20
1 1/2"	1	1	x5.0	5
2"	18	14	x8.0	112
3"	3	3	x15.0	45
4"	8	8	x25.0	200
6"	1	1	x50.0	50
8"	1	1	x80.0	80
10"	1	1	x115.0	115
12"	-	-	x155.0	-
Total water	402	389		979
Total wastewater	377	370	x1.0	370

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

Gallons pumped into the system:	89,975
Gallons billed to customers:	67,053
Water accountability ratio (gallons billed/gallons pumped):	74.52%

*"ESFC" means equivalent single-family connections

Beechnut Municipal Utility District
Schedule of General Fund Expenditures
Year Ended December 31, 2023

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	18,200	
Legal		101,978	
Engineering		41,907	
Financial advisor		800	162,885
Purchased Services for Resale			
Bulk water and wastewater service purchases			598,843
Regional Water Authority			-
Contracted Services			
Bookkeeping		55,954	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		44,383	100,337
Utilities			-
Repairs and Maintenance			191,398
Administrative Expenditures			
Directors' fees		16,415	
Office supplies		4,891	
Insurance		3,161	
Other administrative expenditures		24,491	48,958
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		8,075	8,075
Tap Connection Expenditures			
Solid Waste Disposal			-
Fire Fighting			-
Parks and Recreation			-
Other Expenditures			-
Total expenditures		\$	1,110,496

Beechnut Municipal Utility District
Schedule of Temporary Investments
December 31, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 913000012065995	5.00%	04/30/24	\$ 235,000	\$ 7,823
No. 11851	5.00%	06/12/24	100,000	2,753
No. 6000048162	5.50%	12/14/24	145,000	350
No. 6550131324	5.65%	10/17/24	200,000	2,352
Texas CLASS	5.57%	Demand	<u>928,612</u>	<u>-</u>
			1,608,612	13,278
Debt Service Fund				
Texas CLASS	5.57%	Demand	<u>882,691</u>	<u>-</u>
Totals			<u><u>\$ 2,491,303</u></u>	<u><u>\$ 13,278</u></u>

Beechnut Municipal Utility District
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 97,687	\$ 172,592
Additions and corrections to prior years' taxes	(2,503)	(5,217)
Adjusted receivable, beginning of year	95,184	167,375
2023 Original Tax Levy	181,290	325,894
Additions and corrections	16,504	29,668
Adjusted tax levy	197,794	355,562
Total to be accounted for	292,978	522,937
Tax collections: Current year	(53,262)	(95,746)
Prior years	(89,094)	(155,669)
Receivable, end of year	<u>\$ 150,622</u>	<u>\$ 271,522</u>
Receivable, by Years		
2023	\$ 144,532	\$ 259,816
2022	2,547	4,457
2021	1,309	2,488
2020	952	1,856
2019	41	81
2018	41	85
2017	1,155	2,618
2016	40	103
2011	5	18
Receivable, end of year	<u>\$ 150,622</u>	<u>\$ 271,522</u>

Beechnut Municipal Utility District
Analysis of Taxes Levied and Receivable (Continued)
Year Ended December 31, 2023

	2023	2022	2021	2020
Property Valuations				
Land	\$ 53,888,963	\$ 47,510,362	\$ 45,366,593	\$ 42,598,831
Improvements	126,935,136	107,485,394	95,343,783	91,873,701
Personal property	3,568,886	3,785,063	2,724,757	3,130,627
Exemptions	<u>(82,803,834)</u>	<u>(67,507,248)</u>	<u>(62,474,427)</u>	<u>(62,087,190)</u>
Total property valuations	<u>\$ 101,589,151</u>	<u>\$ 91,273,571</u>	<u>\$ 80,960,706</u>	<u>\$ 75,515,969</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3500	\$ 0.3500	\$ 0.3800	\$ 0.3900
Maintenance tax rates*	<u>0.1947</u>	<u>0.2000</u>	<u>0.2000</u>	<u>0.2000</u>
Total tax rates per \$100 valuation	<u>\$ 0.5447</u>	<u>\$ 0.5500</u>	<u>\$ 0.5800</u>	<u>\$ 0.5900</u>
Tax Levy	<u>\$ 553,356</u>	<u>\$ 502,004</u>	<u>\$ 469,573</u>	<u>\$ 445,544</u>
Percent of Taxes Collected to Taxes Levied**	<u>27%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$0.20 on November 13, 1982

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

Beechnut Municipal Utility District
Schedule of Long-Term Debt Service Requirements by Years
December 31, 2023

Due During Fiscal Years Ending December 31	Refunding Series 2020		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 285,000	\$ 27,843	\$ 312,843
2025	290,000	22,984	312,984
2026	295,000	18,040	313,040
2027	300,000	13,013	313,013
2028	310,000	7,859	317,859
2029	310,000	2,619	312,619
Totals	<u>\$ 1,790,000</u>	<u>\$ 92,358</u>	<u>\$ 1,882,358</u>

Beechnut Municipal Utility District
Changes in Long-Term Bonded Debt
Year Ended December 31, 2023

	Bond Issue		
	Refunding Series 2020		
Interest rate	1.69%		
Dates interest payable	March 1/ September 1		
Maturity dates	March 1, 2024/2029		
Bonds outstanding, beginning of current year	\$	2,075,000	
Retirements, principal		<u>285,000</u>	
Bonds outstanding, end of current year	\$	<u>1,790,000</u>	
Interest paid during current year	\$	<u>32,659</u>	
Paying agent name and address:			
	Series 2020 - TIB The Independent Bankers Bank, N.A., San Antonio, Texas		
Bond authority:			
	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 13,500,000	\$ -	\$ -
Amount issued	\$ 7,005,000	\$ -	\$ -
Remaining to be issued	\$ 6,495,000	\$ -	\$ -
Debt service fund cash and temporary investment balances as of December 31, 2023:	\$ 1,035,322		
Average annual debt service payment (principal and interest) for remaining term of all debt:	\$ 313,726		

Beechnut Municipal Utility District
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 179,257	\$ 159,473	\$ 150,011	\$ 144,906	\$ 135,048
Water service	346,277	255,169	256,369	256,545	289,263
Sewer service	290,205	236,326	241,356	221,286	252,134
Regional water fee	289,533	274,398	267,609	277,917	274,591
Penalty and interest	17,077	12,522	8,120	12,666	9,815
Tap connection and inspection fees	6,200	6,720	6,000	26,158	11,500
Investment income	74,231	17,260	8,060	31,372	57,514
Total revenues	1,202,780	961,868	937,525	970,850	1,029,865
Expenditures					
Service operations:					
Purchased services	598,843	384,981	1,080,207	976,469	461,874
Professional fees	162,885	136,137	100,780	110,044	99,175
Contracted services	100,337	73,315	60,419	63,473	61,089
Repairs and maintenance	191,398	114,330	140,056	165,444	145,200
Other expenditures	48,958	49,614	39,318	39,424	53,762
Tap connections	-	-	-	9,050	-
Capital outlay	8,075	-	45,173	-	18,000
Total expenditures	1,110,496	758,377	1,465,953	1,363,904	839,100
Excess (Deficiency) of Revenues Over Expenditures	92,284	203,491	(528,428)	(393,054)	190,765
Other Financing Sources (Uses)					
Interfund transfers in (out)	(12,053)	-	(17,114)	6,445	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	80,231	203,491	(545,542)	(386,609)	190,765
Fund Balance, Beginning of Year	1,759,482	1,555,991	2,101,533	2,488,142	2,297,377
Fund Balance, End of Year	\$ 1,839,713	\$ 1,759,482	\$ 1,555,991	\$ 2,101,533	\$ 2,488,142
Total Active Retail Water Connections	389	388	392	391	392
Total Active Retail Wastewater Connections	370	370	373	369	370

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
14.9 %	16.6 %	16.0 %	15.0 %	13.1 %
28.8	26.5	27.4	26.4	28.1
24.1	24.6	25.7	22.8	24.5
24.1	28.5	28.5	28.6	26.6
1.4	1.3	0.9	1.3	1.0
0.5	0.7	0.6	2.7	1.1
6.2	1.8	0.9	3.2	5.6
100.0	100.0	100.0	100.0	100.0
49.8	40.0	115.2	100.6	44.9
13.5	14.1	10.8	11.3	9.6
8.3	7.6	6.4	6.5	5.9
15.9	11.9	15.0	17.1	14.1
4.1	5.2	4.2	4.1	5.2
-	-	-	0.9	-
0.7	-	4.8	-	1.8
92.3	78.8	156.4	140.5	81.5
7.7 %	21.2 %	(56.4) %	(40.5) %	18.5 %

Beechnut Municipal Utility District
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended December 31,

	Amounts				
	2023	2022	2021	2020	2019
Debt Service Fund					
Revenues					
Property taxes	\$ 314,228	\$ 303,172	\$ 292,376	\$ 289,780	\$ 283,679
Penalty and interest	8,914	17,086	8,724	6,538	5,863
Investment income	42,247	12,237	1,636	6,273	12,582
Total revenues	365,389	332,495	302,736	302,591	302,124
Expenditures					
Current:					
Professional fees	1,060	6,019	3,441	2,401	1,168
Contracted services	18,732	18,441	16,221	15,628	14,684
Other expenditures	4,717	4,537	4,995	5,411	5,192
Debt service:					
Principal retirement	285,000	25,000	5,000	340,000	-
Interest and fees	32,619	35,275	32,665	96,165	101,013
Debt issuance costs	-	-	-	69,261	-
Total expenditures	342,128	89,272	62,322	528,866	122,057
Excess (Deficiency) of Revenues Over Expenditures	23,261	243,223	240,414	(226,275)	180,067
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	-	2,105,000	-
Deposit with escrow agent	-	-	-	(2,026,946)	-
Total other financing sources	-	-	-	78,054	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	23,261	243,223	240,414	(148,221)	180,067
Fund Balance, Beginning of Year	857,998	614,775	374,361	522,582	342,515
Fund Balance, End of Year	\$ 881,259	\$ 857,998	\$ 614,775	\$ 374,361	\$ 522,582

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
86.0 %	91.2 %	96.6 %	95.8 %	93.9 %
2.4	5.1	2.9	2.1	1.9
11.6	3.7	0.5	2.1	4.2
100.0	100.0	100.0	100.0	100.0
0.3	1.8	1.1	0.8	0.4
5.1	5.5	5.4	5.1	4.9
1.3	1.4	1.7	1.8	1.7
78.0	7.5	1.6	112.4	-
8.9	10.6	10.8	31.8	33.4
-	-	-	22.9	-
93.6	26.8	20.6	174.8	40.4
6.4 %	73.2 %	79.4 %	(74.8) %	59.6 %

**Beechnut Municipal Utility District
Board Members, Key Personnel and Consultants
Year Ended December 31, 2023**

Complete District mailing address:	Beechnut Municipal Utility District c/o Norton Rose Fulbright US LLP 1301 McKinney, Suite 5100 Houston, Texas 77010-3095
District business telephone number:	713.651.5151
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	January 16, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Bryan S. Johnson	Elected 11/20- 11/24	\$ 4,184	\$ 1,562	President
Juvic Alcanse	Elected 11/20- 11/24	2,913	1,922	Vice President
Patricia Cardenas	Elected 11/22- 11/26	3,063	1,625	Secretary
Sylvia Ruffin	Elected 11/22- 11/26	5,605	2,464	Treasurer

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

Beechnut Municipal Utility District
Board Members, Key Personnel and Consultants (Continued)
Year Ended December 31, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
FORVIS, LLP	02/24/93	\$ 23,200	Auditor
The GMS Group, L.L.C.	01/23/07	800	Financial Advisor
Harris Central Appraisal District	Legislative Action	3,846	Appraiser
Municipal Accounts & Consulting, L.P.	07/25/22	95,314	Bookkeeper
Municipal District Services, L.L.C.	10/13/09	590,729	Operator
Norton Rose Fulbright US LLP	02/28/92	102,830	General Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/27/99	1,060	Delinquent Tax Attorney
Sander Engineering Corporation	09/23/92	114,419	Engineer
Utility Tax Service, L.L.C.	10/24/06	18,962	Tax Assessor/ Collector
Investment Officers			
Mark M. Burton and Ghia Lewis	07/25/22	N/A	Bookkeepers

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN