

OFFICIAL STATEMENT DATED AUGUST 1, 2024

IN THE OPINION OF BOND COUNSEL, (DEFINED HEREIN) INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON THE BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book-Entry-Only

NON-RATED

\$4,215,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

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

UNLIMITED TAX BONDS, SERIES 2024

Dated Date: Date of Delivery (defined herein)

Due: September 1, as shown below

The \$4,215,000 Harris County Municipal Utility District No. 578 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are obligations of Harris County Municipal Utility District No. 578 (the “District”) and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.

Principal of the Bonds is payable upon presentation at the principal payment office of UMB Bank, N.A., Houston, Texas, the paying agent/registrars (the “Paying Agent/Registrar”). Interest accrues from the Date of Delivery (defined below), and is payable on March 1, 2025 and each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds will be payable by check or draft, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the bond register kept by the Paying Agent/Registrar (the “Registered Owners”) on the fifteenth day of the month prior to each Interest Payment Date (the “Record Date”) 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.

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

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Nos. 41431E ^(c)	Due (Sept. 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Nos. 41431E ^(c)
2026	\$85,000	7.000%	4.000%	AA0	2031 ^(d)	\$105,000	4.000%	4.000%	AF9
2027	85,000	7.000%	4.000%	AB8	2032 ^(d)	115,000	4.000%	4.000%	AG7
2028	90,000	7.000%	4.000%	AC6	2033 ^(d)	120,000	4.000%	4.050%	AH5
2029	95,000	7.000%	4.000%	AD4	2034 ^(d)	125,000	4.000%	4.100%	AJ1
2030	100,000	7.000%	4.000%	AE2					

\$1,105,000 Term Bond due September 1, 2041 ^{(d) (e)} Interest Rate 4.250% ^(a) Initial Yield 4.250% ^(b) CUSIP No. 41431E AR3 ^(c)

\$1,085,000 Term Bond due September 1, 2046 ^{(d) (e)} Interest Rate 4.250% ^(a) Initial Yield 4.480% ^(b) CUSIP No. 41431E AW2 ^(c)

\$1,105,000 Term Bond due September 1, 2050 ^{(d) (e)} Interest Rate 4.250% ^(a) Initial Yield 4.620% ^(b) CUSIP No. 41431E BA9 ^(c)

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.013919% of par, resulting in a net effective interest rate to the District of 4.486896%. Interest accrues from the Date of Delivery.
- (b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser (hereinafter defined), and may subsequently be changed.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.
- (d) Bonds maturing on or after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time-to-time in part, on September 1, 2030, 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. See “THE BONDS – Redemption Provisions.”
- (e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption. See “THE BONDS – Redemption Provisions.”

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Sources of Payment.” Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, or any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel to the District. Delivery of the Bonds through the facilities of DTC is expected on or about September 5, 2024.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission (the "SEC"), as amended, and in effect on the date of this Official Statement, this document constitutes an Official Statement of the District with respect to the Bonds that have been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

This Official Statement 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 of solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 for further information.

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the cover page of this Official Statement, at a price of 97.013919% of the par value thereof, which resulted in a net effective interest rate of 4.486896%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT 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 Bonds has been filed with the Securities and 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 jurisdictions.

MUNICIPAL BOND RATING AND INSURANCE

No application has been made to a rating company for a rating on the Bonds, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made. In addition, the District will not apply for municipal bond guaranty insurance on the Bonds, nor is it expected that the District would have been successful in obtaining bond insurance had such application been made.

OFFICIAL STATEMENT SUMMARY

The following summary of information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more detailed information. This summary should not be detached, but should be used in conjunction with the more complete information contained herein.

The Issuer Harris County Municipal Utility District No. 578 (the “District”), a political subdivision of the State of Texas (the “State”), was created pursuant to Senate Bill 2162, 87th Texas Legislature, Regular Session 2021, codified as Chapter 7914A, Texas Special District Local Laws Code, effective May 14, 2021. The District operates under Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and is subject to the jurisdiction of the Texas Commission on Environmental Quality (“TCEQ” or “Commission”) under said chapters, specifically, Section §54.024 therein.

The District is located approximately 20 miles northeast of the central downtown business district of the City of Houston, Texas (the “City”) and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Crosby Independent School District. The District is bounded on the north by South Diamondhead Boulevard, on the east by Cuddy Drive, and the west by the San Jacinto River. The District can be accessed from Interstate 10 east, by exiting to US-90 east, exiting to go west on Krenek Road and north on FM 2100, going west on South Diamondhead Boulevard to the main entrance to the District, South Diamondhead Boulevard. Main thoroughfares in the District include South Diamondhead Boulevard. See “THE DISTRICT.”

Description of the Bonds The District’s \$4,215,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are being issued pursuant to a resolution authorizing issuance of the Bonds by the District’s Board of Directors and a pricing certificate to be executed by authorized officials of the District pursuant to the resolution (the “Bond Resolution”). The Bonds are being issued as serial bonds (the “Serial Bonds”) maturing annually on September 1 in varying amounts in the years 2026 through 2034, both inclusive, and as term bonds maturing on September 1, 2041, 2046 and 2050 (the “Term Bonds”) in the aggregate principal amount of \$4,215,000. Interest on the Bonds is payable on each March 1 and September 1 beginning March 1, 2025. See “THE BONDS.”

Use of Proceeds A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the construction costs set out under “SOURCES AND USES OF FUNDS.” In addition, a portion of the proceeds from the Bonds will be used to finance twelve (12) months of capitalized interest, and to pay developer interest, operating advances, outstanding District creation legal and engineering fees, and certain other costs associated with the issuance of the Bonds. See “SOURCES AND USES OF FUNDS.”

Development Within the District The District currently encompasses approximately 143.34 acres of which 12.932 acres are to be developed from proceeds of the Bonds, and of which, a further 17.707 are currently developed with facilities to be funded from future bond issuances. The District contains approximately 87.057 developable acres not served with utility facilities and 25.644 undevelopable acres. As of July 9, 2024, there were 182 single family connections, 182 of which were occupied, 0 multi-family connections, 0 commercial connections, and 3 community irrigation connections. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development.”

The Developers.....	Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company (“Lennar” or “Developer”), has developed approximately 57.5 acres within the District as the first two sections of the Preserve at Newport, which consists of 182 single-family lots. See “DEVELOPMENT WITHIN THE DISTRICT.” Rampart Holdings, LLC (“Rampart”) owns approximately 35.747 acres in the District. A commitment cannot be made as to the future development of the acreage owned by Rampart.
Homebuilders within the District.....	Completed homes within the District have been constructed by Lennar with an average sales price of \$220,000. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development.”
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, levied upon all taxable property located within the District, which under State law is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of Harris County, Texas; the State; the City; or any entity other than the District. See “THE BONDS – Sources of Payment.”
Authority for Issuance	At an election held within the District on November 2, 2021, the District voters authorized the issuance of (1) \$368,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the “System”), (2) \$75,800,000 for the issuance of bonds for the costs of parks and recreational facilities (the “Park System”) and (3) \$179,800,000 for the purpose of construction of roads within the District (the “Road System”). The Bonds constitute the first issuance of bonds for the construction of the System from such authorization. After the issuance of the Bonds, \$364,485,000 principal amount of unlimited tax bonds for the System will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; a bond election held within the District; Chapter 7914A, Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ. See “THE DISTRICT – Authority” and “THE BONDS – Authority for Issuance.”
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds, including the Bonds, issued by it during calendar year 2024 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Payment Record.....	The Bonds constitute the District’s first issuance of unlimited tax bonds secured by and payable from an unlimited ad valorem tax levied on the taxable property within the District.
Municipal Bond Rating and Insurance	No application has been made to a rating company for a rating on the Bonds, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made. In addition, the District will not apply for municipal bond guaranty insurance on the Bonds, nor is it expected that the District would have been successful in obtaining bond insurance had such application been made.

Redemption Provisions.....	The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2031 prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on September 1, 2030 or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”
Book-Entry-Only	The Bonds are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See “THE BONDS – Book-Entry-Only System.”
Legal Opinions	Coats Rose, P.C., Houston, Texas Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	RBC Capital Markets, LLC, Houston, Texas.
Paying Agent	UMB Bank, N.A., Houston, Texas

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, INCLUDING PARTICULARLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

January 1, 2023 Certified Taxable Assessed Valuation	\$7,973,573 ^(a)
January 1, 2024 Preliminary Assessed Valuation	\$41,400,762 ^(b)
January 22, 2024 Estimate of Assessed Valuation	\$42,167,130 ^(c)
Direct Debt:	
Outstanding Bonds	\$0
The Bonds	<u>4,215,000</u>
Total	\$4,215,000
Estimated Overlapping Debt	\$3,035,896
Direct and Estimated Overlapping Debt	<u>\$7,250,896</u>
Ratios of Direct Debt to:	
January 1, 2023 Certified Taxable Assessed Valuation	52.86%
January 1, 2024 Preliminary Assessed Valuation	10.18%
January 22, 2024 Estimated Taxable Assessed Valuation	10.00%
Ratios of Direct Debt and Estimated Overlapping Debt to:	
January 1, 2023 Certified Taxable Assessed Valuation	90.94%
January 1, 2024 Preliminary Assessed Valuation	17.51%
January 22, 2024 Estimated Taxable Assessed Valuation	17.20%
2023 Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.00 ^(d)
Maintenance and Operation	<u>1.45</u>
Total	\$1.45
Maximum Annual Debt Service Requirement (2050) (“MADS”)	\$312,750
Average Annual Debt Service Requirement (2025 – 2050)	\$278,875
District tax rate required to pay Average Annual Requirement based	
Upon January 1, 2023 Certified Taxable Assessed Valuation at 95% collections	\$3.69
Upon January 1, 2024 Preliminary Assessed Valuation at 95% collections	\$0.71
Upon January 22, 2024 Estimated Taxable Assessed Valuation at 95% collections	\$0.70
District tax rate required to pay Maximum Annual Requirement based	
Upon January 1, 2023 Certified Taxable Assessed Valuation at 95% collections	\$4.13
Upon January 1, 2024 Preliminary Assessed Valuation at 95% collections	\$0.80
Upon January 22, 2024 Estimated Taxable Assessed Valuation at 95% collections	\$0.79
Debt Service Fund Balance (to be funded on the Date of Delivery)	\$190,488 ^(e)
General Operating Fund (as of May 7, 2024)	\$53,223
Estimated District Population	637 ^(f)

- (a) Certified by the Harris Central Appraisal District (“HCAD”); represents the taxable assessed valuation of taxable assessed value property within the District as of January 1, 2023. See “TAXING PROCEDURES.”
- (b) Provided by HCAD as a preliminary indication of the 2024 taxable value as of January 1, 2024. No taxes will be levied against this amount until it is certified by HCAD. Such value is subject to property owner protest and HCAD review and downward revision prior to certification. See “TAXING PROCEDURES.”
- (c) Provided by HCAD for informational purposes only. Such amount reflects increases in value occurring between January 1, 2024, and January 22, 2024. No taxes will be levied against this amount until it is certified by HCAD. See “TAX PROCEDURES.”
- (d) It is anticipated that the District will levy its first debt service tax rate in October 2024.
- (e) Represents twelve (12) months of capitalized interest as of the Date of Delivery, which is expected to cover the District’s scheduled debt service payments prior to the collection of ad valorem tax revenues for such purposes. Neither Texas law nor the Bond Resolution requires that the District maintain any sum in the Debt Service Fund.
- (f) Estimated based on 3.5 residents per occupied single-family connection and 2.5 residents per occupied multifamily connection.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

\$4,215,000

UNLIMITED TAX BONDS,

SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 578 (the “District”) of its Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to (i) the Bond Resolution (“Bond Resolution”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) Chapter 7914A of the Texas Special District Local Laws Code, (iii) the Constitution and general laws of the State of Texas (the “State”), particularly Chapters 49 and 54, Texas Water Code, as amended, (iv) a bond election held in the District, and (v) an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”).

There follows in this Official Statement descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. 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, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

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 Resolution of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. The Bond Resolution 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 be dated and interest on the Bonds will accrue from September 5, 2024 (the “Date of Delivery”) and be payable March 1, 2025, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds mature on September 1 of the years and in the amounts shown under “PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “THE BONDS – Book-Entry-Only System.” Interest calculations are based upon a 360-day year comprised of twelve 30-day months.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, 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 and the Financial Advisor (defined herein) believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Bond 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 less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

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

Effect of Termination of "Book-Entry Only" System

In the event that the "Book-Entry Only" System is discontinued by DTC or the use of the "Book-Entry Only" System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution and summarized under "THE BONDS – Registration, Transfer and Exchange" below. Discontinuance by the District of the DTC System of book-entry-only transfers may require the consent of DTC Participants under DTC Operational Arrangements.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company organized under the laws of the State, or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

The Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal corporate trust office of the Paying Agent/Registrar. A Bond may be transferred by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. The Bonds are exchangeable for an equal principal amount of Bonds of the same stated maturity upon presentation at the principal corporate trust office of the Paying Agent/Registrar. To the extent possible, new Bonds issued in exchange for or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or

transfer shall be in the denomination of \$5,000 or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, within thirty (30) calendar days of the redemption date. No service charge will be made for any registration, transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Replacement of Bonds

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

Redemption Provisions

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “THE BONDS – Book-Entry-Only System.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Resolution.

Mandatory Redemption:

The Bonds due on September 1, 2041, 2046 and 2050 (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

<u>Term Bond 2041 – \$1,105,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2035	\$135,000
2036	140,000
2037	150,000
2038	155,000
2039	165,000
2040	175,000
2041 (maturity)	185,000

<u>Term Bond 2046 – \$1,085,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2042	\$195,000
2043	205,000
2044	215,000
2045	230,000
2046 (maturity)	240,000

Term Bond 2050 – \$1,105,000

<u>Year of Redemption</u>	<u>Principal Amount</u>
2047	\$255,000
2048	270,000
2049	280,000
2050 (maturity)	300,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Sources of Payment

The Bonds are payable from the proceeds of a continuing, annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located with the District. See “TAXING PROCEDURES.” In the Bond Resolution, the District covenants to levy a tax sufficient in amount to pay the 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 Debt Service Fund and used solely to pay principal of and interest on the Bonds, and on any additional bonds payable from taxes which the District may hereafter issue. The Bonds are obligations solely of the District and are not obligations of Harris County, Texas, or any entity other than the District.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or portion of the District. If the District is annexed, the City will assume the District’s assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other municipal utility districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the System, with the water and wastewater systems of the districts with which it is consolidating, as well as its liabilities (which would include the Bonds). The District has no current plans to exercise its right to consolidate. No representation is made concerning the likelihood that the District will ever consolidate the System with other systems.

Debt Service Fund

The Bond Resolution confirms the establishment of the District's Debt Service Fund. The Debt Service Fund is kept separate from all other funds of the District and used for payment of debt service on the Bonds and any additional bonds hereafter issued by the District which are payable from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional bonds.

Authority for Issuance

At an election held within the District on November 2, 2021, the District voters authorized the issuance of (1) \$368,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "System"), (2) \$75,800,000 for the issuance of bonds for the costs of parks and recreational facilities (the "Park System") and (3) \$179,800,000 for the purpose of construction of roads within the District (the "Road System"). The Bonds constitute the first issuance of bonds for the construction of the System from such authorization. After the issuance of the Bonds, \$364,485,000 principal amount of unlimited tax bonds for the System will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ. The Bonds are issued pursuant to (i) the Bond Resolution adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) Chapter 7914A of the Texas Special District Local Laws Code, (iii) the Constitution and general laws of the State, particularly Chapters 49 and 54, Texas Water Code, as amended, (iv) a bond election held in the District, and (v) an order of the Commission.

No Arbitrage

In the Bond Resolution and related documents the District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District certifies in its Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Legal Ability to Issue Additional Debt

The District has reserved the right in the Bond Resolution to issue additional bonds. Following the issuance of the Bonds, the District will have \$364,485,000 of remaining capacity to issue additional principal amounts of unlimited tax bonds for the construction or purchase of the System from the November 2, 2021 election.

Before issuing any additional bonds for the System, the District would have to obtain approval of the Commission for the issuance of such bonds and the projects to be financed thereby.

According to Edminster, Hinshaw, Russ & Associates, Inc. (the District's "Engineer"), there are sufficient authorized but unissued bonds to serve the remaining approximately 87.057 undeveloped but developable acres within the District.

In addition to the above-mentioned bonds, the District has the right to issue such additional revenue bonds, and tax bonds and combination tax and revenue bonds as may be hereafter be approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contracts, provided that the provisions of any such contract are approved by the voters of the District. The Bond Resolution places no limitation on the amount of additional bonds which may be issued by the District. Issuance of additional bonds or debt payable from ad valorem taxes could dilute the security for the Bonds.

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) approval of the master plan and bonds by the Commission; and (3) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

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 plan and bonds by the Commission; 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, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

Registered Owners' Remedies

Texas law and the Bond Resolution provide that, if the District defaults in the payment of the principal of or interest on any of the Bonds when due or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform any covenant, obligation, or condition prescribed by the Bond Resolution. Such right is in addition to any other rights the Registered Owners of the Bonds may be provided by the laws of the State.

Except for mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner if the District defaults, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for acceleration of the maturities of the Bonds in the event of default. Consequently, the remedy of mandamus may have to be relied upon from year to year.

Under Texas law, no judgment obtained against the District may be enforced by direct levy and execution against the District's property. Further, the Registered Owners of the Bonds may not themselves foreclose on taxable property within the District to collect any unpaid taxes to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, during the pendency of a bankruptcy proceeding the remedy for mandamus may not be available unless authorized by the bankruptcy judge. See "RISK FACTORS – Bondholders' Remedies."

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the Commission prior to filing bankruptcy. The rights and remedies of the Registered Owners would be adjusted in accordance with the confirmed plan of adjustment of the District's debt. See "RISK FACTORS – Bondholders' Remedies."

Defeasance

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds, and the Bonds will be deemed to have been paid and no longer outstanding, when either (1) principal and interest due on the Bonds (whether at maturity, redemption or otherwise) shall have been paid or caused to have been paid in accordance with the terms of the Bonds; or (2) the District shall have deposited with the Paying Agent/Registrar or a successor registrar moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay interest or redemption price to maturity or to the date fixed for redemption of the Bonds. Upon such deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full the amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of maturity or redemption as provided in the Bond Resolution, and further provided written notice thereof shall have been given as provided in the Bond Resolution.

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

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

Amendments to the Bond Resolution

The District may, without the consent of or notice to any Bondholder, amend the Bond Resolution in any manner not detrimental to the interests of the Bondholder, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Bondholders 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 Resolution, provided that, without the consent of the Registered Owners of all of the Bonds

affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Resolution relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Resolution cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

RISK FACTORS

General

The Bonds are solely obligations of the District and are not obligations of the State, the County, the City or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitations as to rate or amount, on all taxable property within the District and, equally and ratably with any future parity bonds. The investment quality of the Bonds depends both on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential for an increase in taxable valuation of District property is directly related to the economics of the residential housing and commercial real estate industries, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be a costly and lengthy processes. See "Tax Collections" and "Bondowners' Remedies and Bankruptcy" below and "THE BONDS – Sources of Payments."

Factors Affecting Taxable Values and Tax Payments

Dependence on Principal Property Owners: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Property Owners," in 2023, the District's Principal Property Owners owned property located within the District which comprised approximately 60.98% of the District's 2023 Certified Taxable Assessed Valuation. Lennar Homes of Texas Land and Construction, Ltd. and related affiliates, the District's top taxpayer, represents approximately 45.37% of the District's 2023 Certified Taxable Assessed Valuation. In the event that any taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service fund. See "TAX DATA – Principal Property Owners" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further construction of homes and other taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2023 Certified Taxable Assessed Valuation of property within the District is \$7,973,573. The 2024 Preliminary Assessed Valuation of property within the District is \$41,400,762. The January 22, 2024 Estimate of Assessed Valuation of property within the District is \$42,167,130. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$312,750 (2050) and the Average Annual Debt Service Requirements will be \$278,875 (2025 through 2050). Assuming no increase to or decrease from the 2024 Preliminary Assessed Valuation, and no use of other legally available District funds, tax rates of \$0.80 and \$0.71 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Assuming no increase to or decrease from the January 22, 2024 Estimate of Taxable Assessed Valuation, and no use of other legally available District funds, tax rates of \$0.79 and \$0.70 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. See “TAX DATA – Tax Rate Calculations.”

Cybersecurity: The District and their consultants are dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Potential Effects of Oil Price Fluctuations on the Houston Area: 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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

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

The greater Houston area, including the District, 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 successive four days.

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

Specific Flood Type Risks

Riverine (or Fluvial) Flood.

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They 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 (canals or channels) downstream.

Ponding (or Pluvial) Flood.

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

Tax Collection Limitations

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

Bondholders' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year or otherwise to make such payments. (See "THE BONDS – Registered Owners' Remedies"). Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting

relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if (1) it is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, special districts such as the District also must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Future Debt

The District reserves the right in the Bond Resolution to issue the remaining \$364,485,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System, (2) \$75,800,000 for the issuance of bonds for the Park System and (3) \$179,800,000 for the purpose of construction of the Road System. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District makes no representation that any additional development will occur within the District. See "THE BONDS."

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future

compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

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

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

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

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

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

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. The District’s drainage system has been designed and constructed to all current applicable standards of all governmental entities with jurisdiction over the project. See “THE SYSTEM – Flood Protection and Drainage Facilities” for a discussion regarding expected changes to floodplain boundaries.

SOURCES AND USES OF FUNDS

A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the construction costs outlined below. In addition, a portion of the proceeds from the Bonds will be used to finance twelve (12) months of capitalized interest, and to pay developer interest, operating advances, outstanding District creation legal and engineering fees, and certain other costs associated with the issuance of the Bonds.

The use and distribution of the proceeds from the sale of the Bonds, as approved by the Commission, is set forth below.

CONSTRUCTION COSTS	District's Share
A Developer Contribution Items	
1. C&G for Preserve at Newport Southwest, Phase 1	\$371,505
2. Phase 1 Detention Pond for Preserve at Newport	675,332
3. Preserve at Newport Section 1 – W, WW&D	738,877
4. Engineering & Geotechnical for Items No. 1-3	192,420
5. Stormwater Pollution Prevention Planning for Items No. 1-3	62,056
Total Developer Contribution Items	\$2,040,190
B District Items	
1. Capital Contribution for Water Capacity	\$233,470
2. Capital Contribution for Wastewater Capacity	321,530
3. Special Drainage Report (Newport Southwest)	23,500
4. Land Acquisition Costs (Preserve at Newport Detention Pond)	404,283
Total District Items	\$982,783
NET CONSTRUCTION COSTS	\$3,022,973
NON-CONSTRUCTION COSTS	
A Legal Fees	\$120,375
B Fiscal Agent Fees	52,688
C Interest	
1. Capitalized Interest	190,488
2. Developer Interest	357,123
D Bond Discount	125,863
E Creation Costs	90,475
F Operating Expenses	91,850
G Bond Issuance Expenses	56,450
H Bond Application Report Costs	50,038
I Attorney General Fee	4,215
J TCEQ Bond Issuance Fee	10,538
K Contingency ^(a)	41,924
TOTAL NONCONSTRUCTION	\$1,192,027
TOTAL BOND ISSUE REQUIREMENT	\$4,215,000

(a) Contingency represents the estimated and actual amounts of Capitalized Interest and the Bond Discount.

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

THE DISTRICT

Authority

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State and the general laws of the State pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, the Bond Resolution adopted by the Board, a bond election held in the District, and an order of the TCEQ.

Location

The District is located approximately 20 miles northeast of the central downtown business district of the City and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Crosby Independent School District. The District is bounded on the north by South Diamondhead Boulevard, on the east by Cuddy Drive, and the west by San Jacinto River. The District can be accessed from Interstate 10 east, by exiting to US-90 east, exiting to go west on Krenek Road and north on FM 2100, going west on South Diamondhead Boulevard to the main entrance to the District, South Diamondhead Boulevard. Main thoroughfares in the District include South Diamondhead Boulevard.

THE DEVELOPER

Role of a Developer

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

The Developer

Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company ("Lennar" or "Developer"), has developed approximately 57.5 acres within the District as the first two sections of the Preserve at Newport, which consists of 182 single-family lots.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar. However, Lennar is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor Lennar has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar is subject to change at any time. Because of the foregoing, financial information concerning the Developer and Lennar will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION."

DEVELOPMENT WITHIN THE DISTRICT

The District currently encompasses approximately 143.34 acres of which 12.932 acres are to be developed from the Bonds, and of which, a further 17.707 are currently developed with facilities to be funded from future bond issuances. The District contains approximately 87.057 developable acres not currently served with utility facilities and 25.644 undevelopable acres. As of July 9, 2024, there were 182 single family connections, 182 of which were occupied, 0 multi-family connections, 0 commercial connections, and 3 community irrigation connections.

Future Development within District

The District contains approximately 87.057 developable acres remaining to be developed with utility facilities as of February 28, 2024, and 25.644 undevelopable acres. Such acreage is owned by multiple parties. The District makes no representation as to when or if such acreage will be developed or if any future development will be consistent with the type of development the District presently contains.

On April 1, 2024, landowners petitioned the City for consent to the addition of approximately 337 acres of land (the “Annexation Tract”) into the District. On July 10, 2024, the City passed and approved Ordinance No. 2024-515 consenting to the addition of the Annexation Tract into the District. As of May 15, 2024, TPG AG EHC III (LEN) Multi State 1, LLC, a Delaware limited liability company, owns approximately 172 acres of the Annexation Tract and the Developer has an exclusive option to purchase the 172-acre tract from TPG AG EHC III (LEN) Multi State 1, LLC (the “Land Banker”) for development of Synova, Phase 1. The current lot plan for Phase 1 includes 565 lots. As of June 10, 2024, the Developer owns the remaining 164 acres of the Annexation Tract for the development of Synova, Phase 2. The current lot plan for Phase 2 is 680 lots.

It is anticipated that the Land Banker and Developer will petition the District for the addition of the Annexation Tract into the boundaries of the District.

Status of Development

The following chart more completely describes the status of residential development within the District as of July 9, 2024.

Section	Acreage (a)	Platted Lots	To Be Platted Lots	Completed, Occupied Homes	Homes Under Construction	Vacant Lots
Preserve at Newport, Section 1	12.932	77	-	77	-	-
Preserve at Newport, Section 2	17.707	105	-	105	-	-
Remaining Developable Acreage	87.057	-	-	-	-	-
Detention / Drainage / Easements	13.559	-	-	-	-	-
Parks and recreational and open spaces	12.085	-	-	-	-	-
Total	143.340	182	-	182	-	-

Homebuilders

Recently completed homes within the District have been constructed by Lennar Homes, which is building homes in the District with an average sales price of \$220,000.

Management of the District

The District is governed by the Board, which has management control over all affairs of the District. Directors are elected to serve four-year staggered terms at elections held on the second Saturday in May of each even-numbered year. The current members and officers of the Board, all of whom own property within the District are identified as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sam Cocke	President	May 2028
Terry Sue O’Kelley	Vice President	May 2026
Lauren Brigance	Secretary	May 2028
Alissa Payne	Assistant Secretary	May 2026
Christopher G. Townsend	Assistant Secretary	May 2026

The District does not have a general manager or any other full-time employees, but contracts for certain necessary services as follows:

The System Operator – Professional Utility Services has been engaged by the District as the District’s Operator.

Tax Assessor/Collector – The District’s Tax Assessor/Collector is B&A Municipal Tax Services, LLC (the “District’s Tax Assessor/Collector”). The District’s Tax Assessor/Collector applies the District’s tax levy to the tax roll prepared by the Harris Central Appraisal District and bills and collects such levy.

Bookkeeper – The District’s Bookkeeper is L & S District Services LLC.

Engineer – The District’s consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the “District’s Engineer”).

Auditor – The financial statements of the District as of May 31, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s most recent audited financial statements.

Bond Counsel and General Counsel – Coats Rose, P.C. (“Bond Counsel”) serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP (“Disclosure Counsel”) serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

THE SYSTEM

General

According to the District’s Engineer, the System has been designed in conformance with accepted engineering practices and in accordance with the criteria of various governmental agencies having regulatory supervisory jurisdiction over the construction and operation of such facilities, including, among others, City of Houston, Harris County, and the Commission. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. According to the District’s Engineer, all such facilities constructed to date have been approved by all required governmental agencies.

Description

The water, wastewater and drainage facilities which were constructed on behalf of the District are described below, based upon information obtained from the District’s Engineer.

Source of Water Supply System: Water supply for the District is provided by Newport Municipal Utility District (“Newport MUD”) pursuant to the Water Supply and Groundwater Reduction Agreement by and between the District and Newport MUD (the “Water Supply Agreement”). Newport MUD has committed to provide the District with its ultimate requirements of 350 ESFCs to be purchased in phases for water supply, as needed and when required by the District. Newport MUD water system produces potable water, through a combination of groundwater withdrawn through water wells and surface water produced at a Newport MUD owned and operated surface water production facility. The Newport MUD water system produces sufficient potable water and sufficient groundwater credits to allow for the direct sale of potable water and groundwater credits to other entities.

Ground Water: Newport MUD’s potable ground water is drawn from its two (2) water wells, located at Water Plant No. 1 (well capacity 1,800 gpm) and Water Plant No. 2 (1,000 gmp). These wells are permitted by the Harris Galveston Subsidence District under Permit No. WP2023-118259 for wells nos. 1792 and 3232 respectively with a total annual withdrawal limit of 280.0 million gallons.

Surface Water: Newport MUD’s potable surface water is produced by its Surface Water Treatment Plant. The design capacity of the plant is 1,700 gpm (2.4 mgd). Untreated raw water is drawn from a canal operated by the San Jacinto River Authority (SJRA) which transports water from Lake Houston to several customers in the area. By contract, Newport MUD has a right to take 1,850,000 gallons per day of raw untreated surface water, with the added ability to take up to 130% of that amount if supplies are available.

The District has constructed an off-site transmission main to the point of connections with Newport MUD with the construction of its water distribution system within its boundaries. The two (2) interconnects are located at the intersection of Sea Palms Drive and Diamondhead Boulevard South, and the intersection of Sahara Drive and Diamondhead Boulevard South. The Developer on behalf of the District has made an initial capital contribution to Newport’s water facilities in the amount of \$1,262 per ESFC for water for 185 ESFCs for phase 1 development in the District. Reimbursement of the initial capital contribution to the Developer is included in this proposed bond issue and documentation is included as Attachment 19(a).

The District is within the Harris Galveston Subsidence District which regulates groundwater withdrawal. Because the District is served by Newport MUD with water, the District has no potable water wells subject to regulation by the Subsidence District.

Wastewater Treatment Facilities: Wastewater treatment for the District is provided by Newport MUD pursuant to the Wastewater Treatment Agreement by and between Newport MUD and Harris County MUD No. 578. Newport MUD has committed to provide up to 350 ESFCs to be purchased in phases for wastewater treatment services for the development of the District.

Newport MUD owns and operates a single permanent wastewater treatment plant (WWTP). The plant is permitted for an average daily flow of 1,300,000 gallons per day. The WWTP has experienced an average daily flow, including waste from water production, of approximately 0.95 MGD (Million Gallons per Day) over the past three and a half years. The average daily flow in 2023 through August is 1.01 MGD.

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Operating History

The following summary of the District's General Fund has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal year ended May 31, 2023 (the first year the District contracted an audit firm) and the unaudited financial statement for the eleven (11) month period ending May 1, 2024. It is not intended to present the results of operations of the entire District in accordance with generally accepted accounting principles.

	Fiscal Year Ended May 31	
	06/01/2023 – 05/01/2024 (a)	2023 (c)
<u>Revenues</u>		
Property Taxes	(b)	\$11,214
Water Service	(b)	23,845
Sewer Service	(b)	15,431
Surface Water Fees	(b)	1,619
Penalty & Interest	(b)	2,370
Tap Fees	(b)	295,000
Interest Income	(b)	395
Other Income	(b)	2,150
	<u>\$384,136</u>	<u>\$352,024</u>
<u>Expenditures</u>		
Purchased Services	(b)	\$52,733
Professional Fees	(b)	40,984
Contracted Services	(b)	16,214
Repairs & Maintenance	(b)	83,364
Garbage Disposal	(b)	600
Administrative Expenditures	(b)	5,975
Capital outlay / non-capital outlay	(b)	181,939
Total	<u>\$658,129</u>	<u>\$381,809</u>
Excess Revenues (Expenditures)	<u>(273,993)</u>	<u>(29,785)</u>
Developer Advances		269,000
Net change in fund balances	<u>(273,993)</u>	<u>239,215</u>
Fund Balance		
Beginning of Year	<u>224,812</u>	<u>(14,403)</u>
Fund Balance		
Year End	<u>(49,181)</u>	<u>\$224,812</u>

(a) Unaudited, cash basis.

(b) Line items from the 2023 audit are not represented in the 2024 unaudited bookkeeper's report.

(c) Audited, modified accrual basis accounting.

DISTRICT DEBT

General

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

Direct Debt

January 1, 2023 Certified Taxable Assessed Valuation	\$7,973,573 ^(a)
January 1, 2024 Preliminary Assessed Valuation	\$41,400,762 ^(b)
January 22, 2024 Estimate of Assessed Valuation	\$42,167,130 ^(c)
Direct Debt:	
Outstanding Bonds	\$0
The Bonds	<u>4,215,000</u>
Total	\$4,215,000
Estimated Overlapping Debt	\$3,035,896
Direct and Estimated Overlapping Debt	<u>\$7,250,896</u>
Debt Service Fund Balance (to be funded on the Date of Delivery)	\$190,488 ^(d)
General Operating Fund (as of May 2, 2024)	\$53,223
Ratios of Direct Debt to:	
January 1, 2023 Certified Taxable Assessed Valuation	52.86%
January 1, 2024 Preliminary Assessed Valuation	10.18%
January 22, 2024 Estimated Taxable Assessed Valuation	10.00%
Ratios of Direct Debt and Estimated Overlapping Debt to:	
January 1, 2023 Certified Taxable Assessed Valuation	90.94%
January 1, 2024 Preliminary Assessed Valuation	17.51%
January 22, 2024 Estimated Taxable Assessed Valuation	17.20%
2023 Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.00 ^(e)
Maintenance and Operation	<u>1.45</u>
Total	\$1.45

- (a) Certified by the Harris Central Appraisal District (“HCAD”); represents the taxable assessed valuation of taxable assessed value property within the District as of January 1, 2023. See “TAXING PROCEDURES.”
- (b) Provided by HCAD as a preliminary indication of the 2024 taxable value as of January 1, 2024. No taxes will be levied against this amount until it is certified by HCAD. Such value is subject to property owner protest and HCAD review and downward revision prior to certification. See “TAXING PROCEDURES.”
- (c) Provided by HCAD for informational purposes only. Such amount reflects increases in value occurring between January 1, 2024, and January 22, 2024. No taxes will be levied against this amount until it is certified by HCAD. See “TAX PROCEDURES.”
- (d) Represents twelve (12) months of capitalized interest as of the Date of Delivery, which is expected to cover the District’s scheduled debt service payments prior to the collection of ad valorem tax revenues for such purposes. Neither Texas law nor the Bond Resolution requires that the District maintain any sum in the Debt Service Fund.
- (e) It is anticipated that the District will levy its first debt service tax rate in October 2024.

Authorized but Unissued Bonds

Date of Authorization	Purpose	Authorized	Issued To Date ^(a)	Amount Unissued
11/02/2021	Water, Wastewater, Drainage	\$368,700,000	\$4,215,000	\$364,485,000
11/02/2021	Park and Recreational	75,800,000	0	75,800,000
11/02/2021	Roads	179,800,000	0	179,800,000

- (a) Includes the Bonds. Anticipated Date of Delivery and outstanding debt following anticipated delivery.

Outstanding Bonds

<u>Date of Issue</u>	<u>Series</u>	<u>Original Amount</u>	<u>Outstanding</u>
09/05/2024 ^(a)	2024	\$4,215,000	\$4,215,000 ^(a)
		\$4,215,000	\$4,215,000

(a) The Bonds. Anticipated Date of Delivery and outstanding debt following anticipated delivery.

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Body ^(a)</u>	<u>Direct Debt</u>	<u>As of</u>	<u>Percent Overlapping Direct Debt</u>	<u>Overlapping Direct Debt</u>
Crosby ISD	\$200,145,000	05/31/2024	1.412%	\$2,825,608
Harris County	1,709,146,319	05/31/2024	0.006%	110,509
Harris County Flood Control	991,095,000	05/31/2024	0.007%	65,493
Port of Houston Authority	426,134,397	05/31/2024	0.007%	28,129
Harris County Hospital District	65,285,000	05/31/2024	0.007%	4,278
Harris County Education Dept.	28,960,000	05/31/2024	0.006%	1,879
Total Overlapping Debt:				\$3,035,896
The District: ^(b)				\$4,215,000
Total Direct and Overlapping Debt: ^(b)				\$7,250,896
Total Direct and Overlapping Debt as a percentage of the January 22, 2024 Estimate of Taxable Assessed Valuation:				17.20%

(a) Taxing jurisdictions with outstanding debt.

(b) Includes the Bonds.

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Overlapping Entity	2023 Tax Rate per \$100 AV
Crosby ISD	\$1.422900
Harris County	0.343730
Harris County Flood Control	0.030550
Port of Houston Authority	0.007990
Harris County Hospital District	0.148310
Harris County Education Dept.	0.004900
Harris County ESD 80	0.047761
Harris County ESD 5	0.017660
The District	1.450000
Total	\$3.473801

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The District covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax sufficient (together with any other legally available monies) to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its debt service requirements and available funds.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District’s electorate. The Board of Directors levied a maintenance tax rate of \$1.45 per \$100 of assessed valuation for the 2023 tax year. See “THE SYSTEM – Operating History.”

Tax Rate Distribution

The following is a breakdown by the tax year, of the tax rate levied by the District for the 2022 – 2023 tax years.

	2023	2022
Debt Service Fund	\$0.000	\$0.000
Maintenance & Operation	1.450	1.450
Total	\$1.450	\$1.450

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet the District's total proposed debt service requirements on the Bonds if no growth in the District occurs beyond the 2023 Assessed Valuation, the 2024 Preliminary Assessed Valuation, and the Estimate of Value as of January 22, 2024. The calculations also assume collection of 95% of taxes levied and no available debt service funds are reflected in these computations.

Average Annual Debt Service Requirements (2025 – 2050)	\$278,875
Tax Rate of \$3.69 on the 2023 Certified Taxable Assessed Valuation produces.....	\$279,514
Tax Rate of \$0.71 on the January 1, 2024 Preliminary Assessed Valuation produces	\$279,248
Tax Rate of \$0.70 on the January 22, 2024 Estimated Taxable Assessed Valuation produces	\$280,411
Maximum Debt Service Requirement (2050)	\$312,750
Tax Rate of \$4.13 on the 2023 Certified Taxable Assessed Valuation produces.....	\$312,483
Tax Rate of \$0.80 on the January 1, 2024 Preliminary Assessed Valuation produces	\$314,646
Tax Rate of \$0.79 on the January 22, 2024 Estimated Taxable Assessed Valuation produces	\$316,464

Debt Service Fund Management Index

Debt Service Requirement for year ending December 31, 2025	\$188,371
Debt Service Fund Balance ^(a)	\$190,488

(a) Represents twelve (12) months of capitalized interest as of the Date of Delivery, which is expected to cover the District's scheduled debt service payments prior to the collection of ad valorem tax revenues for such purposes. Neither Texas law nor the Bond Resolution requires that the District maintain any sum in the Debt Service Fund.

Analysis of Tax Base

The following table illustrates the composition of property located within the District for the 2023 tax year.

	2023 Assessed Valuation
Land	\$6,560,166
Improvements	3,967,907
Personal Property	19,593
	<u>\$10,547,666</u>
Exemptions	<u>(2,574,093)</u>
Total	\$7,973,573

Historical Tax Collections

The following statement of tax collections set forth in condensed form reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District's audited financial statements and records of the District's tax assessor/collector. Reference is made to such audited financial statements and records for further and complete information.

Tax Year	Assessed Valuation	Tax Rate ^(a)	Estimated Levy	Collections as of Tax Year End		Collections Through May 31, 2024	
				Amount	%	Amount	%
2022	\$3,347,382	\$1.45	\$11,214	\$11,214	100.00%	\$11,214	100.00%
2023	7,973,573	1.45	113,223	(b)	(b)	112,799	99.63%

(a) Represents the District's levy of a maintenance and operation tax for the applicable year.

(b) In process of collection.

Principal Property Owners

Based upon information supplied by the District’s Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2023.

Taxpayer	Property Type	2023	% of 2023 Assessed Value
Rampart Holding LLC	Property Management	\$924,132	11.59%
Lennar Homes of Texas Land & Construction ^{(a)(b)}	Homebuilders	914,105	11.46%
Lennar Homes of Texas Land ^{(a)(b)}	Homebuilders	839,525	10.53%
Lennar Homes of Texas ^{(a)(b)}	Homebuilders	757,189	9.50%
Lennar Homes of Texas Land & Constr LTD ^{(a)(b)}	Homebuilders	348,300	4.37%
Lennar Homes Texas Land & Construction ^{(a)(b)}	Homebuilders	328,950	4.13%
Lennar Homes of Texas Land & Construction ^{(a)(b)}	Homebuilders	270,900	3.40%
SFR Fund VI Borrower LLC	Limited Liability Company	172,985	2.17%
Lennar Homes of Texas Land & Construction ^{(a)(b)}	Homebuilders	158,316	1.99%
Homeowner	Homeowner	147,589	1.85%
Total		\$4,861,991	60.98%

(a) Represents the Developer and Developer-owned entities within the District. Combined, these entities represent 45.37% of the 2023 certified taxable assessed valuation within the District. See “THE DEVELOPER.”

(b) Represents the only entity with interests owned by the Developer or its affiliates and subsidiaries that is a principal taxpayer engaged in development in the District and responsible for making the ad valorem tax payments to the District. The total assessed value attributable to entities with interest owned by the Developer or its affiliates and subsidiaries and that engaged in development and are responsible for making the ad valorem tax payments is more than 20% of the assessed value of the District. See “CONTINUING DISCLOSURE OF INFORMATION.”

DEBT SERVICE REQUIREMENTS

Year End 12/31	Outstanding Debt Service	The Bonds			Total Principal & Interest	Total
		Principal Due 9/1	Interest Due 3/1	Interest Due 9/1		
2025	\$0.00	\$0.00	\$93,127.22	\$95,243.75	\$188,370.97	\$188,370.97
2026	0.00	85,000.00	95,243.75	95,243.75	275,487.50	275,487.50
2027	0.00	85,000.00	92,268.75	92,268.75	269,537.50	269,537.50
2028	0.00	90,000.00	89,293.75	89,293.75	268,587.50	268,587.50
2029	0.00	95,000.00	86,143.75	86,143.75	267,287.50	267,287.50
2030	0.00	100,000.00	82,818.75	82,818.75	265,637.50	265,637.50
2031	0.00	105,000.00	79,318.75	79,318.75	263,637.50	263,637.50
2032	0.00	115,000.00	77,218.75	77,218.75	269,437.50	269,437.50
2033	0.00	120,000.00	74,918.75	74,918.75	269,837.50	269,837.50
2034	0.00	125,000.00	72,518.75	72,518.75	270,037.50	270,037.50
2035	0.00	135,000.00	70,018.75	70,018.75	275,037.50	275,037.50
2036	0.00	140,000.00	67,150.00	67,150.00	274,300.00	274,300.00
2037	0.00	150,000.00	64,175.00	64,175.00	278,350.00	278,350.00
2038	0.00	155,000.00	60,987.50	60,987.50	276,975.00	276,975.00
2039	0.00	165,000.00	57,693.75	57,693.75	280,387.50	280,387.50
2040	0.00	175,000.00	54,187.50	54,187.50	283,375.00	283,375.00
2041	0.00	185,000.00	50,468.75	50,468.75	285,937.50	285,937.50
2042	0.00	195,000.00	46,537.50	46,537.50	288,075.00	288,075.00
2043	0.00	205,000.00	42,393.75	42,393.75	289,787.50	289,787.50
2044	0.00	215,000.00	38,037.50	38,037.50	291,075.00	291,075.00
2045	0.00	230,000.00	33,468.75	33,468.75	296,937.50	296,937.50
2046	0.00	240,000.00	28,581.25	28,581.25	297,162.50	297,162.50
2047	0.00	255,000.00	23,481.25	23,481.25	301,962.50	301,962.50
2048	0.00	270,000.00	18,062.50	18,062.50	306,125.00	306,125.00
2049	0.00	280,000.00	12,325.00	12,325.00	304,650.00	304,650.00
2050	0.00	300,000.00	6,375.00	6,375.00	312,750.00	312,750.00
	\$0.00	\$4,215,000.00	\$1,516,814.72	\$1,518,931.25	\$7,250,745.97	\$7,250,745.97

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

Under Texas law, including the Texas Property Tax Code (the “Property Tax Code”), there is established in each county in the State a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. By May 15 of each year, or as soon thereafter as is practicable, the appraisal district is required to prepare appraisal records of property to be appraised as of January 1 of each year. The Property Tax Code generally requires appraisals at 100% of market value. Property tax appraisals in the District are subject to review by the Harris County Appraisal Review Board (the “Appraisal Review Board”). Taxpayers and, under certain circumstances, taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in state district court. Such review or appeals may delay the certification of taxable values and hence delay the levy and collection of taxes by the District. In the event of such an appeal, the value of the property in question will be determined by the court, or by a jury if requested by any party. Absent any such appeal, the appraisal roll prepared by the Harris Central Appraisal District (“HCAD”) and approved by the Appraisal Review Board must be used by each taxing jurisdiction within Harris County to establish its tax rolls and tax rate.

Although the District is responsible for establishing tax rates and levying and collecting its taxes each year, under the system of county-wide tax appraisal implemented by the Property Tax Code, the District cannot establish appraisal standards or determine the frequency of revaluation or reappraisal. The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraised values, and the plan must provide for reappraisal of all real property in the appraisal district at least once every three years. Effective January 1, 1990, the District became eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of HCAD.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable, youth development, religious, veterans, fraternal or educational organizations; non-profit cemeteries; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action, or fatally injured in the line of duty, is subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemption: Texas law authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that 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 District has never adopted a residential homestead exemption.

Goods-In-Transit: Goods-in-transit are tangible personal property that is acquired in or imported into the State to be forwarded to another location in the State or outside the State that is detained at a location in the State for 175 days or less at a site not owned by the owner of the goods-in-transit, not including oil, natural gas, petroleum products, aircraft, a dealer's motor vehicle inventory, a dealer's vessel and outboard motor inventory, a dealer's heavy equipment inventory, or retail manufactured housing inventory. Goods-in-transit are exempt from taxation unless the governing body of a taxing unit provides for taxation for goods-in-transit. The District has taken no official action to tax goods-in-transit.

Tax Abatement

The City of Houston, Texas (the "City"), or Harris County, Texas (the "County"), as appropriate, under Chapter 312, Texas Tax Code may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City or the County may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

At this time, the City and the County have not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts 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 Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

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

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

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

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

Before September 1 of each year, or as soon thereafter as practicable, the rate of taxation for the District is set by the Board of Directors based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1 or when billed, whichever occurs later, and become delinquent after January 31 of the following year or on the first day of the calendar month next following the expiration of 21 days after mailing of the tax bills, whichever occurs later. A delinquent tax incurs an initial penalty of six percent of the amount of the tax and accrues an additional penalty of one percent per month up to July 1, at which time the total penalty becomes 12%. In

addition, delinquent taxes accrue interest at one percent per month. If the tax is not paid by July 1, an additional penalty of up to 15% may be imposed by the District under certain circumstances to defray the legal costs to collect delinquent taxes. The District must waive penalties and may waive interest on delinquent taxes if an error or omission of a representative of the District, including HCAD, caused the failure of the taxpayer to pay taxes. The Property Tax Code also provides for split payments of taxes, discounts for early payment, and the postponement of the delinquency date of taxes under certain circumstances. To date, the District has not allowed split payments or discounts.

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 described for each classification below. Debt service and contract tax rates cannot be reduced by a tax rate 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's 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 will be made on an annual basis. For the 2023 tax year, the Board designated the District as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the taxed property as of January 1 of the year in which the taxes are levied. On January 1 of each year, a tax lien attaches to property in the District to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property 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. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owned to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under conservatorship or receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Coats Rose, P.C., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Opinion" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel.

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

Legal Review

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

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds may be excludable in certain corporations “adjusted financial statement income” determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code. Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Resolution relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the

Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax- exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty percent (20%) as a “financial institution preference item.”

The District has designated the Bonds as “qualified tax-exempt obligations.” Furthermore, the District represents that it has or will take such action as is necessary for the Bonds to constitute “qualified tax-exempt obligations.” Notwithstanding the designation of the Bonds as “qualified tax-exempt obligations,” financial institutions acquiring the Bonds will be subject to a 20% disallowance of interest expense allocable to the Bonds.

Tax Accounting Treatment of Original Issue Discount Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the “Original Issue Discount Bonds”). The difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See “Opinion” herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the Initial Purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such Initial Purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an Initial Purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

Future and Proposed Legislation

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

NO-LITIGATION

As a condition to delivery of the Bonds, the District will furnish a certificate executed by the President and Secretary of the District that no litigation is pending or, to the best of their knowledge, threatened, either in state or federal courts, of which the District has received notice contesting or attacking the Bonds; restraining or enjoying the levy, assessment, and collection of ad valorem taxes, or in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers and directors of the District.

FINANCIAL ADVISOR

RBC Capital Markets, LLC ("RBC CM") is employed as Financial Advisor to District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other agreement with respect to payment of the bonds. As required by Rule 15c2-12, and in the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system for such purpose.

Annual Reports

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

In addition, the District has agreed to provide information with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such persons own more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such persons have made tax or other payments to the District which were used or available to pay more than 20% of the District’s debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such persons are obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District’s bonds then outstanding.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the heading titled “DISTRICT DEBT,” “TAX DATA” and in “APPENDIX A – Independent Auditor’s Report and Financial Statements of the District”. The District will update and provide this information to EMMA within six months after the end of each fiscal year.

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

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

Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (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 an 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 SEC Rule 15c-12 (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 Resolution makes any provision for liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the District to EMMA described above under “Annual Reports” and “Event and Material Event Notices” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB Board.

Investors will be able to access continuing disclosure information filed with the MSRB at emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. The District

may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that its right to do so would not prevent an Initial Purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District has not previously entered into any continuing disclosure undertaking pursuant to Rule 15c2-12.

SOURCES OF INFORMATION

Consultants

The information contained in this Official Statement relating to the physical characteristics of the District, certain engineering matters, and to the description of the System generally, and in particular, the engineering information included in the sections captioned “THE DISTRICT” and “THE SYSTEM” has been provided by Edminster Hinshaw Russ & Associates, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to Principal Property Owners, breakdown of historical taxable values, tax collection rates and assessed valuations of property generally, and, in particular, that information in the section captioned “SELECTED FINANCIAL INFORMATION,” has been provided by the Harris Central Appraisal District and B&A Municipal Tax Services, LLC. in reliance upon the authority of such parties as experts in the fields of assessing property values and collecting taxes, respectively.

The financial statements of the District as of May 31, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s most recent audited financial statements.

Updating of Official Statement

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

Certification of Official Statement

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

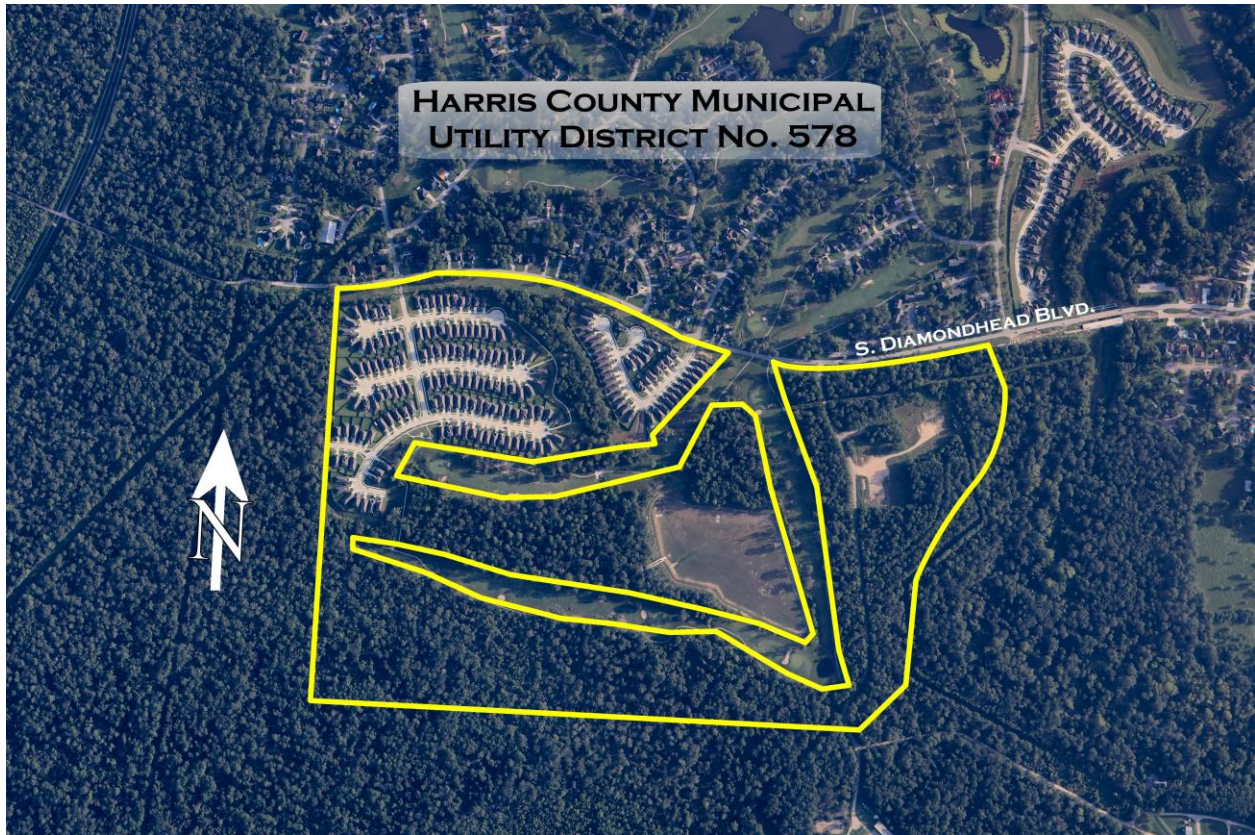
This Official Statement is duly approved by the Board of Directors of Harris County Municipal Utility District No. 578 as of the date specified on the first page hereof.

President, Board of Directors
Harris County Municipal Utility District No. 578

ATTEST:

Secretary, Board of Directors
Harris County Municipal Utility District No. 578

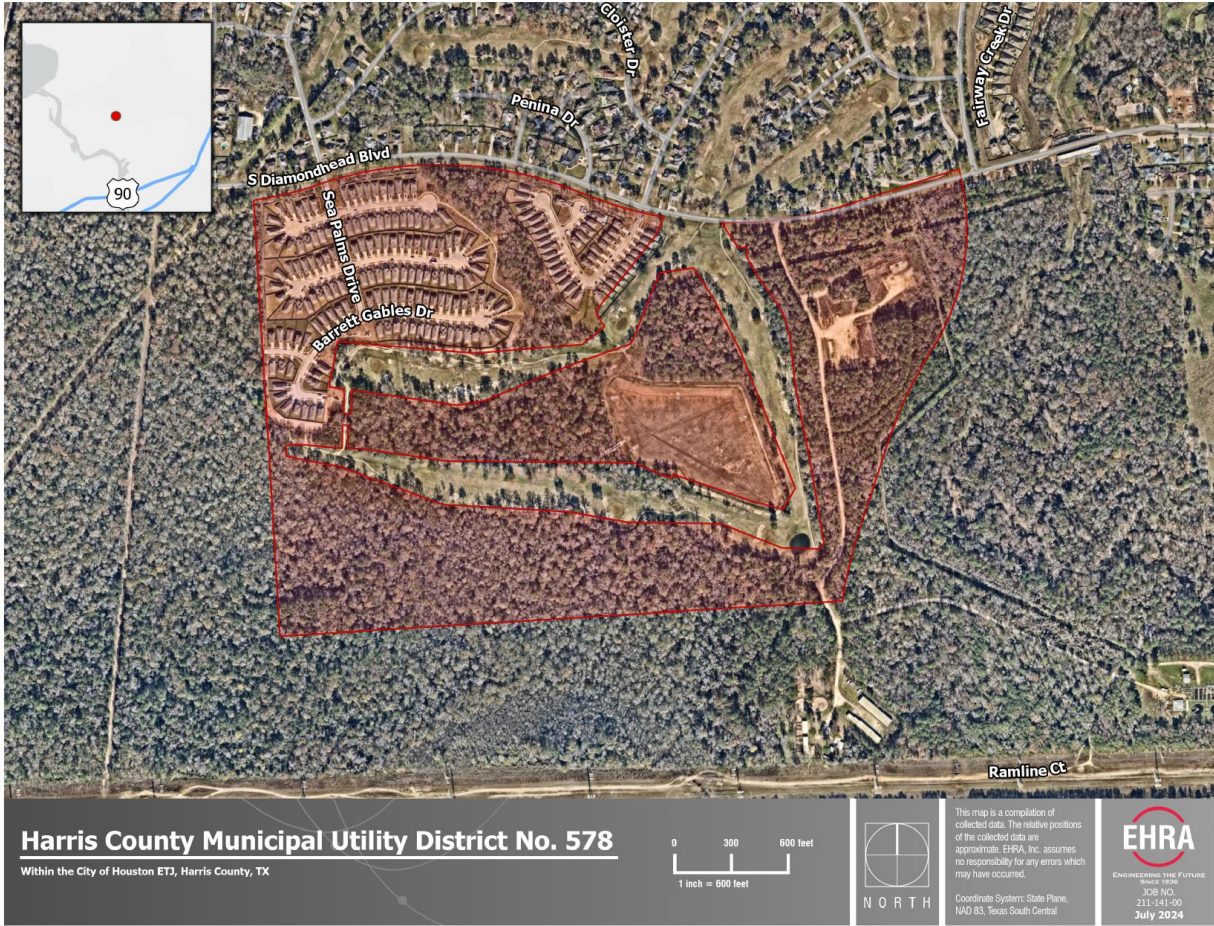
AERIAL PHOTOGRAPH
(July 2024)



DISTRICT PHOTOS
(July 2024)



DISTRICT MAP
(July 2024)



Harris County Municipal Utility District No. 578

Within the City of Houston ETJ, Harris County, TX



This map is a compilation of collected data. The relative positions of the collected data are approximate. EHRA, Inc. assumes no responsibility for any errors which may have occurred.

Coordinate System: State Plane, NAD 83, Texas South Central



ENGINEERING THE FUTURE
SINCE 1936
JOB NO.
211-141-00
July 2024

APPENDIX A

Independent Auditor's Report and Financial Statements of the District

HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 578
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
MAY 31, 2023

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Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

October 5, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 578
Harris County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 578 as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 578's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 578, as of May 31, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 578, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 578's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Harris County Municipal Utility District No. 578's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 578's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 578's basic financial statements. The supplementary information on Pages 19 to 28 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 578 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by the Texas Commission on Environmental Quality. 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. In the District's case, the single governmental program is provision of sewer, drainage and road 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 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' 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. 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 period.

Although the statement of activities looks different from a commercial enterprise's income statement, 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.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change 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 and sewer 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 total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures for water, sewer, drainage and road systems from this fund are subject to the Rules of the Texas Commission on Environmental Quality and/or the Bond Orders. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and service revenues and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 446,431	\$ 5,434	\$ 440,997
Capital assets	6,851,460		6,851,460
Total assets	<u>7,297,891</u>	<u>5,434</u>	<u>7,292,457</u>
Long-term liabilities	7,185,460	65,000	7,120,460
Other liabilities	221,619	19,837	201,782
Total liabilities	<u>7,407,079</u>	<u>84,837</u>	<u>7,322,242</u>
Net position:			
Unrestricted	(109,188)	(79,403)	(29,785)
Total net position	<u>\$ (109,188)</u>	<u>\$ (79,403)</u>	<u>\$ (29,785)</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 11,214	\$	\$ 11,214
Charges for services	340,415		340,415
Other	395		395
Total revenues	<u>352,024</u>	<u>0</u>	<u>352,024</u>
Expenses:			
Service operations	381,809	79,403	302,406
Debt service			0
Total expenses	<u>381,809</u>	<u>79,403</u>	<u>302,406</u>
Change in net position	(29,785)	(79,403)	49,618
Net position, beginning of year	<u>(79,403)</u>	<u>0</u>	<u>(79,403)</u>
Net position, end of year	<u>\$ (109,188)</u>	<u>\$ (79,403)</u>	<u>\$ (29,785)</u>

Financial Analysis of the District's Funds

The District's General Fund balance as of the end of the fiscal year ended May 31, 2023, was \$224,812. The General Fund balance increased by \$239,215, in accordance with the District's financial plan.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 18 of this report. The budgetary fund balance as of May 31, 2023, was expected to be negative \$28,203 and the actual end of year fund balance was \$224,812.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Construction in progress	<u>\$ 6,851,460</u>	<u>\$ 0</u>	<u>\$ 6,851,460</u>

Changes to capital assets during the fiscal year ended May 31, 2023, are summarized as follows:

Additions:

Utilities and roads constructed by developers	<u>\$ 6,851,460</u>
Net change to capital assets	<u>\$ 6,851,460</u>

Debt

At May 31, 2023, the District had \$368,700,000 unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes, \$179,800,000 for road purposes authorized but unissued and \$75,800,000 authorized but unissued for parks and recreational facilities.

As further described in Note 5 of the notes to the financial statements, the developers within the District have advanced funds to the District to cover initial operating deficits. As of May 31, 2023, the cumulative amount of developer advances for this purpose was \$334,000.

As further described in Note 5 of the notes to the financial statements, the developers within the District are constructing roads and water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality, as applicable. At May 31, 2023, the estimated amount due to the developers was \$6,851,460.

ADDITIONAL RELEVANT FACTORS

Property Tax Base

The District's tax base was \$773,382 for the 2022 tax year and the 2023 fiscal year.

The District's tax base is concentrated in a small number of taxpayers. The District's developers own a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5 of the Notes to the Financial Statements.

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 District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

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 would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

MAY 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 418,913	\$	\$	\$ 418,913	\$	\$ 418,913
Receivables:						
Service accounts	24,453			24,453		24,453
Prepaid expenditures	3,065			3,065		3,065
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated	<u> </u>	<u> </u>	<u> </u>	<u>0</u>	<u>6,851,460</u>	<u>6,851,460</u>
Total assets	<u>\$ 446,431</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 446,431</u>	<u>6,851,460</u>	<u>7,297,891</u>
LIABILITIES						
Accounts payable	\$ 61,069	\$	\$	\$ 61,069		61,069
Customer and builder deposits	160,550			160,550		160,550
Long-term liabilities, Note 5:						
Due in more than one year	<u> </u>	<u> </u>	<u> </u>	<u>0</u>	<u>7,185,460</u>	<u>7,185,460</u>
Total liabilities	<u>221,619</u>	<u>0</u>	<u>0</u>	<u>221,619</u>	<u>7,185,460</u>	<u>7,407,079</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Unassigned	<u>224,812</u>	<u> </u>	<u> </u>	<u>224,812</u>	<u>(224,812)</u>	<u>0</u>
Total fund balances	<u>224,812</u>	<u>0</u>	<u>0</u>	<u>224,812</u>	<u>(224,812)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 446,431</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 446,431</u>		
Net position:						
Unrestricted, Note 5					<u>(109,188)</u>	<u>(109,188)</u>
Total net position					<u>\$ (109,188)</u>	<u>\$ (109,188)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 11,214	\$	\$	\$ 11,214	\$	\$ 11,214
Water service	23,845			23,845		23,845
Sewer service	15,431			15,431		15,431
Surface water fees, Note 9	1,619			1,619		1,619
Penalty and interest	2,370			2,370		2,370
Tap connection and sewer inspection fees	295,000			295,000		295,000
Interest on deposits	395			395		395
Other	2,150			2,150		2,150
Total revenues	352,024	0	0	352,024	0	352,024
EXPENDITURES / EXPENSES						
Administrative expenditures:						
Purchased services, Note 9	52,733			52,733		52,733
Professional fees	40,984			40,984		40,984
Contracted services	16,214			16,214		16,214
Repairs and maintenance	83,364			83,364		83,364
Garbage disposal	600			600		600
Administrative expenditures	5,975			5,975		5,975
Capital outlay / non-capital outlay	181,939			181,939		181,939
Total expenditures / expenses	381,809	0	0	381,809	0	381,809
Excess (deficiency) of revenues over expenditures	(29,785)	0	0	(29,785)	0	(29,785)
OTHER FINANCING SOURCES (USES)						
Developer advances, Note 5	269,000			269,000	(269,000)	0
Total other financing sources (uses)	269,000	0	0	269,000	(269,000)	0
Net change in fund balances / net position	239,215	0	0	239,215	(269,000)	(29,785)
Beginning of year	(14,403)	0	0	(14,403)	(65,000)	(79,403)
End of year	<u>\$ 224,812</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 224,812</u>	<u>\$ (334,000)</u>	<u>\$ (109,188)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578NOTES TO THE FINANCIAL STATEMENTSMAY 31, 2023

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 578 (the "District") was created by Act of the 87th Texas Legislature, Regular Session 2021, codified at Chapter 7914A, Texas Special District Local Laws Code, as a municipal utility district, effective September 1, 2021. The District operates in accordance with Texas Water Code Chapter 49, Texas Local Government Code Chapter 375, and Article III, Sections 52 and 52-a and Article XVI, Section 59, of the Texas Constitution. The District was confirmed by an election held within the District on November 2, 2021. The District is located within the extra territorial jurisdiction of the City of Houston and within Harris County, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on June 10, 2021. The District is subject to the continuing supervision of the TCEQ with respect to water, wastewater and drainage. The District is empowered, among other things, to provide for water, wastewater, drainage and road facilities.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts and other receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years
Roads	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year	\$ 224,812
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Total capital assets, net	6,851,460
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Due to developers for operating advances	\$ (334,000)
Due to developers for construction	<u>(6,851,460)</u>
	<u>(7,185,460)</u>
Net position, end of year	<u>\$ (109,188)</u>

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances	\$ 239,215
The receipt of developer advances provides current financial resources to the funds, while the repayment of such advances consume the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:	
Developer advances	<u>(269,000)</u>
Change in net position	<u>\$ (29,785)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

The District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and road system to serve the District. The District shall be the owner of each phase of the construction of each system until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

Capital asset activity for the fiscal year ended May 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 0	\$ 6,851,460	\$ 0	\$ 6,851,460
Total capital assets not being depreciated	<u>0</u>	<u>6,851,460</u>	<u>0</u>	<u>6,851,460</u>
 Total capital assets, net	 <u>\$ 0</u>	 <u>\$ 6,851,460</u>	 <u>\$ 0</u>	 <u>\$ 6,851,460</u>
 Changes to capital assets:				
Increase in liability to developer for construction		\$ 6,851,460	\$	
Net increases / decreases to capital assets		<u>\$ 6,851,460</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended May 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Due to developers for operating advances (see below)	\$ 65,000	\$ 269,000	\$	\$ 334,000	-----
Due to developers for construction (see below)	<u>0</u>	<u>6,851,460</u>	<u></u>	<u>6,851,460</u>	<u>-----</u>
Total due to developers	<u>65,000</u>	<u>7,120,460</u>	<u>0</u>	<u>7,185,460</u>	<u>0</u>
Total long-term liabilities	<u>\$ 65,000</u>	<u>\$ 7,120,460</u>	<u>\$ 0</u>	<u>\$ 7,185,460</u>	<u>\$ 0</u>

Water, sewer and drainage bonds voted	\$ 368,700,000
Water, sewer and drainage bonds approved for sale and sold	0
Water, sewer and drainage bonds voted and not issued	368,700,000
 Road bonds voted	 \$ 179,800,000
Road bonds approved for sale and sold	0
Road bonds voted and not issued	179,800,000
 Park and Recreational bonds voted	 \$ 75,800,000
Park and Recreational bonds approved for sale and sold	0
Park and Recreational bonds voted and not issued	75,800,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments, Liabilities and Advances

The developers within the District have advanced funds to the District to cover initial operating deficits. At May 31, 2023, the cumulative amount of unreimbursed developer advances was \$334,000. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$224,812.

The developers within the District have constructed certain underground facilities and roads within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the Texas Commission on Environmental Quality, as applicable. The District's engineer stated that unreimbursed cost of the construction in progress at May 31, 2023, was \$6,851,460. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES AND CONCENTRATION OF TAX BASE

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held November 2, 2021, the voters within the District authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. The voters authorized a road maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This road maintenance tax is to be used for the operation and maintenance of a road system and related storm drainage system within the District. The voters also authorized a park and recreational facilities maintenance tax not to exceed \$0.10 per \$100 valuation on all property subject to taxation within the District. This park and recreational maintenance tax is to be used for the operation and maintenance of parks and recreational facilities within the District. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater, drainage and road bonds.

On April 14, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of \$733,382:

	<u>Rate</u>	<u>Amount</u>
Maintenance	<u>\$ 1.4500</u>	<u>\$ 11,214</u>

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developers own a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past two fiscal years. At May 31, 2023, the District had consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACTS WITH OTHER DISTRICT

Water Supply and Groundwater Reduction Agreement

On June 3, 2021, The District and Newport Municipal Utility District ("Newport MUD") entered into a Water Supply and Groundwater Reduction Agreement. The term of the agreement is 40 years. Under the terms of the agreement, the District can purchase up to 350 ESFCs of potable water from Newport MUD. The District is billed monthly at 150% of Newport MUD's in-district billing rate. The Water service charges accrued during the fiscal year ended May 31, 2023, were \$25,202.

Wastewater Treatment Agreement

On August 19, 2021, the District and Newport MUD entered into a 40 year Wastewater Treatment Agreement. The term of the agreement is 40 years. Under the terms of the agreement, Newport MUD will treat up to 350 ESFCs of wastewater from the District. The District is billed monthly at 150% of Newport MUD's in-district billing rate. The Wastewater treatment service charges accrued during the fiscal year ended May 31, 2023, were \$27,531.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$	\$	\$ 11,214	\$ 11,214
Water service			23,845	23,845
Sewer service			15,431	15,431
Surface water fees			1,619	1,619
Penalty and other			2,370	2,370
Tap connection and sewer inspection fees			295,000	295,000
Interest on deposits			395	395
Other			2,150	2,150
TOTAL REVENUES	<u>0</u>	<u>0</u>	<u>352,024</u>	<u>352,024</u>
EXPENDITURES				
Service operations:				
Purchased services			52,733	52,733
Professional fees	50,000	50,000	40,984	(9,016)
Contracted services	8,600	8,600	16,214	7,614
Repairs and maintenance			83,364	83,364
Garbage disposal			600	600
Administrative expenditures	7,555	7,555	5,975	(1,580)
Capital outlay			181,939	181,939
TOTAL EXPENDITURES	<u>66,155</u>	<u>66,155</u>	<u>381,809</u>	<u>315,654</u>
EXCESS REVENUES (EXPENDITURES)	<u>(66,155)</u>	<u>(66,155)</u>	<u>(29,785)</u>	<u>36,370</u>
OTHER FINANCING SOURCES (USES)				
Operating advances by developers	<u>52,355</u>	<u>52,355</u>	<u>269,000</u>	<u>216,645</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>52,355</u>	<u>52,355</u>	<u>269,000</u>	<u>216,645</u>
EXCESS SOURCES (USES)	<u>(13,800)</u>	<u>(13,800)</u>	<u>239,215</u>	<u>253,015</u>
FUND BALANCE, BEGINNING OF YEAR	<u>(14,403)</u>	<u>(14,403)</u>	<u>(14,403)</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ (28,203)</u>	<u>\$ (28,203)</u>	<u>\$ 224,812</u>	<u>\$ 253,015</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

MAY 31, 2023

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

- TSI-1. Services and Rates
- TSI-2. General Fund Expenditures
- TSI-3. Temporary Investments
Not applicable. None at May 31, 2023.
- TSI-4. Taxes Levied and Receivable
- TSI-5. Long-Term Debt Service Requirements by Years
Not applicable. None at May 31, 2023.
- TSI-6. Changes in Long-Term Bonded Debt
Not applicable. None at May 31, 2023.
- TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
Not Applicable for Debt Service Fund.
- TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

SCHEDULE OF SERVICES AND RATES

MAY 31, 2023

1. Services Provided by the District during the Fiscal Year:

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" 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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$35.15	0	N	\$2.80	Over 4,000
WASTEWATER:	\$40.00	0	N	\$8.00	Over 4,000
SURCHARGE:	\$6.00 per 1,000 gallons of water used. – Surface water fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$51.95 Wastewater: \$88.00 Surcharge: \$60.00

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

SCHEDULE OF SERVICES AND RATES (Continued)

MAY 31, 2023

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	123	123	1.0	123
1"	0	0	2.5	0
1-1/2"	0	0	5.0	0
2"	2	1	8.0	8
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>125</u>	<u>124</u>		<u>131</u>
Total Wastewater	<u>122</u>	<u>122</u>	1.0	<u>122</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Not Applicable. See Note 9 of the Notes to the Financial Statements.

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

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

County in which the district is located: Harris County

Is the district located within one county? Yes No

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

Is the district located within a city's ETJ? Entirely Partly Not at all

ETJ in which the district is located: City of Houston

Is the general membership of the Board appointed by an office outside the district? Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

EXPENDITURES

FOR THE YEAR ENDED MAY 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services:				
Water	\$ 25,202	\$	\$	25,202
Sewer	27,531			27,531
	<u>52,733</u>	<u>0</u>	<u>0</u>	<u>52,733</u>
Professional fees:				
Legal	29,491			29,491
Engineering	11,493			11,493
	<u>40,984</u>	<u>0</u>	<u>0</u>	<u>40,984</u>
Contracted services:				
Bookkeeping	2,651			2,651
Operation and billing	2,400			2,400
Tax assessor-collector	10,209			10,209
Central appraisal district	954			954
	<u>16,214</u>	<u>0</u>	<u>0</u>	<u>16,214</u>
Repair and maintenance	<u>83,364</u>	<u>0</u>	<u>0</u>	<u>83,364</u>
Garbage disposal	<u>600</u>	<u>0</u>	<u>0</u>	<u>600</u>
Administrative expenditures:				
Director's fees	1,800			1,800
Office	639			639
Insurance	1,795			1,795
Other	1,741			1,741
	<u>5,975</u>	<u>0</u>	<u>0</u>	<u>5,975</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>181,939</u>	<u>0</u>	<u>0</u>	<u>181,939</u>
TOTAL EXPENDITURES	<u>\$ 381,809</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 381,809</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MAY 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues	\$ 327,571	\$	\$	\$ 327,571
Increase in customer and builder deposits	160,550			160,550
Developer advances	<u>269,000</u>			<u>269,000</u>
TOTAL DEPOSITS PROVIDED	<u>757,121</u>	<u>0</u>	<u>0</u>	<u>757,121</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	156,843			156,843
Capital outlay	181,939			181,939
Prepaid expenditures	<u>3,065</u>			<u>3,065</u>
TOTAL DEPOSITS APPLIED	<u>341,847</u>	<u>0</u>	<u>0</u>	<u>341,847</u>
INCREASE (DECREASE) IN DEPOSITS	415,274	0	0	415,274
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>3,639</u>	<u>0</u>	<u>0</u>	<u>3,639</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 418,913</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 418,913</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED MAY 31, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 0	\$ 0
2022 ADJUSTED TAX ROLL	<u>11,214</u>	<u>0</u>
Tax collections: Current tax year	(11,214)	0
Prior tax years	<u>0</u>	<u>0</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED MAY 31, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2022**</u>
Land	\$ 3,301,062
Improvements	46,320
Personal property	0
Less exemptions	<u>(2,574,000)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 773,382</u>

TAX RATES PER \$100 VALUATION	
Debt service tax rates	\$ 0.00000
Maintenance tax rates*	<u>1.45000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 1.45000</u>

TAX ROLLS	<u>\$ 11,214</u>
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PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>100 %</u>
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*Maximum tax rate approved by voters on November 2, 2021: \$1.50

**The District first levied taxes for tax year 2022.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023*	2022**	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	\$ 11,214	\$	\$	\$	\$	%	%	%	%	%
Water service	23,845									
Sewer service	15,431									
Surface water fees	1,619									
Penalty	2,370									
Tap connection and inspection fees	295,000									
Interest on deposits and investments	395									
Other revenues	2,150									
TOTAL REVENUES	<u>352,024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
EXPENDITURES										
Service operations:										
Purchased services	52,733									
Professional fees	40,984	55,110								
Contracted services	16,214	10,061								
Repair and maintenance	83,364									
Garbage disposal	600									
Administrative expenditures	5,975	14,232								
Capital outlay	181,939									
TOTAL EXPENDITURES	<u>381,809</u>	<u>79,403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (29,785)</u>	<u>\$ (79,403)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>	<u>N/A %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>124</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>122</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>					

*District is funded, in part, by developer advances.

**First year of financial activity.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSMAY 31, 2023

Complete District Mailing Address: Harris County Municipal Utility District No. 578
 c/o Coats Rose, P.C.
 9 Greenway Plaza, Suite 1000
 Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: October 20, 2022

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Sam Cocke c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 11/02/21- 5/04/24	\$ 450	\$ 0	President
Terry O' Kelley c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/07/22- 5/04/24	450	0	Vice President
Lauren Brigance c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 11/02/21- 5/04/24	450	0	Secretary
Alissa Payne c/o Bracewell LLP 711 Louisiana Street, Suite 2300 Houston, Texas 77002	Elected 5/07/22- 5/04/24	450	0	Assistant Secretary
Christopher Townsend c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/07/22- 5/04/24	0	0	Assistant Secretary

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 578

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

MAY 31, 2023

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	6/10/21	\$ 29,491	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	6/10/21	2,651	Bookkeeper
Debra Loggins P.O. Box 170 Tomball, Texas 77377	2/14/22	0	Investment Officer
Professional Utility Services, Inc. 7702 FM 1960 East, Suite 100 Humble, Texas 77346	11/15/21	268,143	Operator
EHRA Engineering 10011 Meadowglen Lane Houston, Texas 77042	3/30/22	11,493	Engineer
LJA Engineering 3600 W. Sam Houston Pkwy S., Suite 600 Houston, Texas 77042	Replaced 3/30/22	0	Engineer
B & A Municipal Tax Services, Inc. 13333 Northwest Freeway, Suite 250 Houston, Texas 77040	8/12/21	10,742	Tax Assessor-Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	954	Central Appraisal District
RBC Capital Markets, L.L.C. 2800 Post Oak Blvd., Suite 4325 Houston, Texas 77056	11/15/21	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	3/30/22	0	Independent Auditor

See accompanying independent auditor's report.