

OFFICIAL STATEMENT DATED: SEPTEMBER 17, 2024

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS."

\$4,150,000

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 12

(A Political Subdivision of the State of Texas, located within Harris and Waller Counties)

UNLIMITED TAX ROAD BONDS, SERIES 2024

Dated: October 1, 2024

Interest Accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$4,150,000 Harris-Waller Counties Municipal Utility District No. 12 Unlimited Tax Road Bonds, Series 2024 (the "Bonds") are obligations of Harris-Waller Counties Municipal Utility District No. 12 (the "District") and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; City of Waller, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Harris County, Texas; Waller County, Texas; City of Waller, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated October 1, 2024 (the "Dated Date"), and will accrue interest from the date of initial delivery, which is expected to be on or about October 16, 2024 (the "Date of Delivery"), with interest 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. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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."

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



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

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to special risk factors as 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 winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about October 16, 2024

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$4,150,000 Unlimited Tax Road Bonds, Series 2024

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464U (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464U (b)
2026	\$ 95,000	6.500 %	3.050 %	BA3	***	***	***	***	***
2027	100,000	6.125	3.050	BB1	2040	\$ 185,000 (c)	4.000 %	4.050 %	BQ8
2028	105,000	6.500	3.050	BC9	2041	195,000 (c)	4.000	4.080	BR6
2029	110,000	6.500	3.050	BD7	2042	205,000 (c)	4.000	4.100	BS4
2030	115,000	6.500	3.100	BE5	2043	210,000 (c)	4.000	4.120	BT2
2031	120,000 (c)	4.000	3.200	BF2	2044	220,000 (c)	4.000	4.140	BU9
2032	125,000 (c)	4.000	3.300	BG0	2045	235,000 (c)	4.000	4.160	BV7
2033	135,000 (c)	4.000	3.400	BH8	2046	245,000 (c)	4.000	4.180	BW5
2034	140,000 (c)	4.000	3.500	BJ4	2047	255,000 (c)	4.000	4.200	BX3
2035	145,000 (c)	4.000	3.600	BK1	2048	270,000 (c)	4.000	4.210	BY1
2036	155,000 (c)	4.000	3.700	BL9	2049	280,000 (c)	4.000	4.220	BZ8
2037	160,000 (c)	4.000	3.800	BM7					

\$345,000 Term Bond Due September 1, 2039 (c)(d) Interest Rate: 4.000% (Price: \$100.000) (a) CUSIP No. 41464U BPO (b)

- a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- c) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds. – *Optional Redemption*"
- d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amount set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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

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

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

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

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1	AERIAL PHOTOGRAPH OF THE DISTRICT	29
SALE AND DISTRIBUTION OF THE BONDS	3	PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	30
Award of the Bonds.....	3	PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	31
Prices and Marketability.....	3	DISTRICT DEBT	32
Securities Laws	3	Debt Service Requirement Schedule	32
MUNICIPAL BOND INSURANCE	3	Bonded Indebtedness	33
Bond Insurance Policy	3	Estimated Direct and Overlapping Debt Statement.....	34
Build America Mutual Assurance Company	3	Debt Ratios.....	34
RATING	5	TAXING PROCEDURES.....	34
OFFICIAL STATEMENT SUMMARY.....	6	Authority to Levy Taxes.....	34
INTRODUCTION.....	11	Property Tax Code and County-Wide Appraisal District.....	34
RISK FACTORS.....	11	Property Subject to Taxation by the District.....	35
General.....	11	Tax Abatement.....	36
Factors Affecting Taxable Values and Tax Payments	11	Valuation of Property for Taxation.....	36
Vacant and Under Construction Lots.....	12	Tax Payment Installments After Disaster	37
Competitive Nature of Residential Housing Market	12	District and Taxpayer Remedies.....	37
Tax Collection Limitations	12	Levy and Collection of Taxes	37
Registered Owners' Remedies and Bankruptcy	12	Rollback of Operation and Maintenance Tax Rate.....	37
Operating Funds	13	District's Rights in the Event of Tax Delinquencies.....	38
Marketability.....	13	TAX DATA.....	39
Future Debt.....	13	General.....	39
Continuing Compliance with Certain Covenants.....	13	Tax Rate Limitation.....	39
Environmental Regulations.....	14	Maintenance Tax.....	39
Potential Effects of Oil Price Fluctuations on the Houston		Additional Penalties.....	39
Area	15	Tax Rate Calculations.....	39
Specific Flood Type Risks.....	15	Estimated Overlapping Taxes	40
National Weather Service Atlas Rainfall Study	16	Historical Tax Collections.....	40
Potential Impact of Natural Disaster.....	16	Tax Rate Distribution	40
Changes in Tax Legislation	16	Assessed Taxable Valuation Summary.....	41
Bond Insurance Risk Factors.....	16	Principal Taxpayers	41
THE BONDS.....	17	THE UTILITY SYSTEM.....	41
General.....	17	Regulation	41
Book-Entry-Only System.....	17	Source of Water Supply.....	41
Successor Paying Agent/Registrar.....	18	Wastewater Treatment.....	42
Registration, Transfer and Exchange.....	19	100 Year Flood Plain	42
Redemption of the Bonds.....	19	National Weather Service Atlas Rainfall Study	42
Mutilated, Lost, Stolen or Destroyed Bonds	20	Storm-Water Drainage Facilities	42
Source of Payment.....	20	THE ROAD SYSTEM.....	42
Outstanding Bonds.....	20	LEGAL MATTERS	42
Authority for Issuance	20	Legal Opinions.....	42
No Arbitrage.....	20	No-Litigation Certificate	43
Consolidation	21	No Material Adverse Change	43
Funds	21	TAX MATTERS.....	43
Defeasance	21	Tax Accounting Treatment of Original Issue Discount	
Legal Investment and Eligibility to Secure Public Funds in		Bonds.....	44
Texas	21	Qualified Tax-Exempt Obligations	45
Issuance of Additional Debt	22	CONTINUING DISCLOSURE OF INFORMATION.....	45
Registered Owners' Remedies	22	Annual Reports	45
Use and Distribution of Bond Proceeds.....	23	Event Notices	46
THE DISTRICT	24	Availability of Information from EMMA	46
Authority.....	24	Limitations and Amendments.....	46
Description.....	24	Compliance with Prior Undertakings	46
Utility Agreement Between the City of Waller and the		OFFICIAL STATEMENT	47
District.....	24	General.....	47
Management of the District.....	25	Experts	47
Investment Policy	25	Certification as to Official Statement	47
Consultants	25	Updating of Official Statement	47
General Fund Operating Statement	26	CONCLUDING STATEMENT	48
DEVELOPMENT OF THE DISTRICT	27	APPENDIX A: FINANCIAL STATEMENTS OF THE DISTRICT	
Status of Development within the District	27	APPENDIX B: SPECIMEN MUNICIPAL BOND INSURANCE POLICY	
PRINCIPAL LANDOWNER/DEVELOPER.....	27		
Role of the Developer.....	27		
Developer	27		
Development Financing	28		
Homebuilders within the District.....	28		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.007148% of the par value thereof, which resulted in a net effective interest rate of 4.271046%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

Subject to certain restrictions described in the Official Notice of Sale, the District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices 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.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by

S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million and \$253.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

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

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

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OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The District Harris-Waller Counties Municipal Utility District No. 12 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas and Waller County, Texas. See “THE DISTRICT.”

The Bonds..... The District’s \$4,150,000 Unlimited Tax Road Bonds, Series 2024 (the “Bonds”), are dated October 1, 2024 (the “Dated Date”), and mature on September 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the date of initial delivery, which is expected to be on or about October 16, 2024 (the “Date of Delivery”), with interest payable March 1, 2025, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See “THE BONDS.”

Redemption of the Bonds..... The Bonds that mature on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds.”

The Bonds maturing on September 1, 2026, through September 1, 2037, both inclusive, and September 1, 2040, through September 1, 2049, both inclusive, are serial bonds. The Bonds maturing September 1, 2039 is a term bond that has a mandatory sinking fund redemption provision set out herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption*”

Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

Authority for Issuance..... The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$59,400,000 principal amount of unlimited tax bonds authorized by District’s voters at an election held within the District on May 7, 2022 for the purpose of constructing or acquiring a road system to serve the District (the “Road System”). Additionally, District voters authorized \$59,400,000 principal amount of unlimited tax bonds for the purposes of refunding Road System bonds; \$194,500,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater, and a drainage system to serve the District (the “Utility System”); \$194,500,000 principal amount of unlimited tax bonds for the purposes of refunding Utility System bonds; \$24,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities to serve the District (the “Park System”); and \$24,000,000 principal amount of unlimited tax bonds for the purposes of refunding Park System bonds.

The Bonds are issued by the District pursuant to the terms and conditions of a resolution authorizing the issuance of the Bonds (the “Bond

Resolution”), Article III, Section 52 of the Texas Constitution, 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, and an election held within the District as described above.

Source of Payment	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; City of Waller, Texas; or any entity other than the District. See “THE BONDS – Source of Payment.” The District is authorized to levy separate taxes to pay debt service on bonds issued for the purpose of constructing or acquiring the Utility System; to pay debt service on bonds issued for the purpose of constructing or acquiring the Road System; and to pay debt service on bonds issued for the purpose of constructing and acquiring the Park System; all such taxes are unlimited as to rate or amount.
Outstanding Bonds	The Bonds are the second issuance of bonded indebtedness by the District. The District sold its \$3,365,000 Unlimited Tax Bonds, Series 2024 on August 20, 2024, which are anticipated to close on September 19, 2024. As of the Date of Delivery, \$3,365,000 of such previously issued bonds will remain outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Use of Proceeds	Proceeds of the Bonds will be used to reimburse the Developer (herein defined) for a portion of the improvements and related costs shown under “THE BONDS - Use And Distribution of Bond Proceeds.” Additionally, proceeds of the sale of the Bonds will be used to pay: paving for Oakwood Estates, Section 1 and 2; twelve (12) months of capitalized interest; and other certain costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds.”
Qualified Tax-Exempt Obligations	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions.
Municipal Bond Insurance and Ratings	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.” S&P Global Ratings (BAM Insured): “AA.” See “RATINGS.”
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description.....	The District was legally created pursuant to House Bill No. 4272, 85th Session of the Texas Legislature, Regular Session, on June 12, 2017, now codified as Chapter 7998 of the Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The Texas Commission on Environmental Quality (the “TCEQ”) has jurisdiction over the District pursuant to Section 54.024, Texas Water Code.
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The District consisted of 95.955 acres at the time of creation. On December 30, 2021, there was an exclusion removing approximately 95.094 acres from the District. On February 3, 2022, there was an annexation adding approximately 183.3 acres into the District. On March 7, 2022, there was an exclusion removing approximately 0.8610 acres from the District. On January 17, 2023, there was an annexation adding approximately 97.19 acres within Waller County to the District. The District currently contains approximately 280.49 acres and is located within both Harris and Waller Counties. The District’s name was changed to Harris-Waller Counties Municipal Utility District No. 12 (previously known as Harris County Municipal Utility District No. 554). The District is split between the border

of Harris and Waller Counties along FM-362 approximately 30 miles northwest of downtown Houston, and is located inside the city limits of the City of Waller, Texas. The eastern portion of the District is located at the intersection of Knebel and Field Store Road. The western portion of the District is located along Cameron Road. See "THE DISTRICT."

Development within the District The District includes a portion of the development of Oakwood Estates, a community that consists of approximately 183.3 total acres located within the corporate limits of the City of Waller, Texas. As of July 1, 2024, approximately 86.80 acres (338 lots) in the District have been developed as the single-family residential subdivisions of Oakwood Estates, Sections 1 – 2. As of July 1, 2024, said subdivisions included approximately 183 completed homes (including 4 model homes), approximately 29 homes under construction, and approximately 126 vacant developed lots. The remainder of the land within the District currently includes approximately 170.69 acres that are undeveloped but developable and 23 undevelopable acres for detention, roadways, and reserves for parks, open spaces, and landscaping. See "DEVELOPMENT OF THE DISTRICT."

Developer..... Approximately 183.3 acres of land within the District, known as Oakwood Estates, is being developed by Field Store Dev, LLC, a Texas limited liability company (the "Developer"), whose general partner is Field Store Manager LLC, a Texas limited liability company. See "PRINCIPAL LANDOWNER/DEVELOPER."

Homebuilders within the District..... Ashton Houston Residential LLC, Brightland Homes, Ltd., K. Hovnanian of Houston II LLC, Weekley Homes LLC, and Gehan Homes Ltd. are active homebuilders within the District. Prices of new homes being constructed in the District range from approximately \$310,000 to approximately \$490,000. See "PRINCIPAL LANDOWNER/DEVELOPER – Homebuilders within the District."

RISK FACTORS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2023 Taxable Assessed Valuation	\$ 15,264,173	(a)
2024 Taxable Assessed Valuation	\$ 51,264,045	(b)
Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$ 72,904,959	(c)
Direct Debt:		
The Outstanding Bonds (as of Date of Delivery)	\$ 3,365,000	
The Bonds	<u>\$ 4,150,000</u>	
Total	\$ 7,515,000	
Estimated Overlapping Debt	<u>\$ 2,067,927</u>	(d)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 9,582,927</u>	(d)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	14.66	%
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2024.....	10.31	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	18.69	%
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2024.....	13.14	%
Utility Debt Service Fund Balance (as of Date of Delivery).....	\$ 264,994	(e)
Road Debt Service Fund Balance (as of Date of Delivery).....	\$ 178,750	(f)
General Fund Balance (as of August 20, 2024).....	\$ 34,230	(g)

- (a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2023, as provided by the Harris Central Appraisal District and the Waller County Appraisal District (the "Appraisal Districts"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the assessed valuation of all taxable property located within the District as of January 1, 2024, consisting of \$45,797,145 of certified value and \$2,363,610 of uncertified value, as provided by Harris Central Appraisal District, and \$3,103,290 of certified value, as provided by Waller County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2024, from January 1, 2024, through July 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (e) Represents eighteen (18) months of capitalized interest to be deposited into the Utility Debt Service Fund (herein defined) upon closing of the \$3,365,000 Unlimited Tax Bonds, Series 2024 which closed on September 19, 2024. Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Utility Debt Service Fund. Funds in the Utility Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, wastewater, and drainage facilities and are not available to pay debt service on bonds issued by the District for road purposes (e.g. the Bonds).
- (f) Represents twelve (12) months of capitalized interest to be deposited into the Road Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Road Debt Service Fund. Funds in the Road Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for road facilities (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for the Utility System.
- (g) See "RISK FACTORS - Operating Funds."

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2024 Tax Rate per \$100 of Assessed Taxable Valuation		
Utility Debt Service	\$	0.300 (a)
Road Debt Service		0.340
Maintenance and Operations.....		<u>0.350</u>
Total	\$	0.990
Average Annual Debt Service Requirement (2026-2049)		
	\$	504,572 (b)
Maximum Annual Debt Service Requirement (2048).....		
	\$	526,250 (b)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Average Annual Debt Service Requirement (2026-2049) at 95% Tax Collections:		
Based on the 2024 Taxable Assessed Valuation.....	\$	1.04
Based on the Estimated Taxable Assessed Valuation as of July 1, 2024	\$	0.73
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the Maximum Annual Debt Service Requirement (2048) at 95% Tax Collections:		
Based on the 2024 Taxable Assessed Valuation.....	\$	1.09
Based on the Estimated Taxable Assessed Valuation as of July 1, 2024	\$	0.76
Single-Family Homes (including 29 under construction) as of July 1, 2024.....		212 (c)

-
- (a) The District authorized publication of its intent to levy a 2024 total tax rate of \$0.990 per \$100 of assessed valuation (comprised of \$0.30 per \$100 of assessed valuation for utility debt service, \$0.34 per \$100.00 of assessed valuation for road debt service, and \$0.35 per \$100 of assessed valuation for maintenance and operations) with the intent to levy such tax rate at its October 15, 2024 meeting date.
- (b) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."
- (c) Includes 183 completed homes as of July 1, 2024.

\$4,150,000

**HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 12
UNLIMITED TAX ROAD BONDS, SERIES 2024**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris-Waller Counties Municipal Utility District No. 12 (the "District") of its \$4,150,000 Unlimited Tax Road Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, 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, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") and the election held within the District on May 7, 2022.

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

This Official Statement contains descriptions of the Bonds, Field Store Dev, LLC, a Texas limited liability company (the "Developer"), the Bond Resolution 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 Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication therefore.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas; Harris County, Texas; Waller County, Texas; City of Waller, Texas; or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowners/Developer: There is no commitment by or legal requirement of the Developer or any other landowner of the District to proceed at any particular rate or according to any specified plan with respect to the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/DEVELOPER," and "TAX DATA - Principal Taxpayers."

Dependence on Principal Taxpayers: The ability of any principal landowners to make full and timely payments of taxes levied against their 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 Taxpayers," the District's principal taxpayers in 2023 owned property located within the District the aggregate assessed valuation of which comprised approximately 100.00% of the District's total 2023 Taxable Assessed Valuation. The Developer owns property comprising approximately 53.97% of the District's 2023 total taxable value. In the event that the Developer, homebuilders within the District, or any other 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 Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Taxable Assessed Valuation of property located within the District is \$51,264,045 and the Estimated Taxable Assessed Valuation as of July 1, 2024, is \$72,904,959. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (defined herein) and the Bonds will be \$526,250 (2048) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$504,572 (2026-2049). Assuming no increase to nor decrease from the 2024 Taxable Assessed Valuation, tax rates of \$1.09 and \$1.04 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the estimated Taxable Assessed Valuation as of July 1, 2024, tax rates of \$0.76 and \$0.73 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2024 tax year, the District intends to levy a total tax rate of \$0.99 per \$100 of assessed valuation composed of \$0.35 for maintenance and operation per \$100 of assessed valuation, \$0.30 for utility debt service per \$100 of assessed valuation, and \$0.34 for road debt service per \$100 of assessed valuation

Vacant and Under Construction Lots

As of July 1, 2024, there were approximately 126 vacant developed lots within the completed subdivisions in the District. The District makes no representation as to when or if such lots will be sold to homebuilders or whether homes will be constructed on such lots. See "DEVELOPMENT OF THE DISTRICT."

Competitive Nature of Residential Housing Market

The housing industry in the Houston, Texas area is very competitive, but the District can give no assurance that the building programs which are planned by any home builder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for commercial and other 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. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and commercial and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment

against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Operating Funds

The District's sources of revenue to pay its operating expenses include advances from the Developer, proceeds from bond issues, and maintenance and operations tax proceeds. The District intends to levy a 2024 maintenance and operations tax at the rate of \$0.35 per \$100 of assessed valuation. The District's Operating Fund balance at August 20, 2024, was \$34,230. Maintaining a positive Operating Fund balance will depend upon (1) continued development, and (2) funds from bond issues. In the event that funds are not made available by the Developer, the District may be required to levy a maintenance and operations tax at a rate sufficient to fund its operating expenses. Such an increase to the tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "THE DISTRICT - General Fund Operating Statement."

Marketability

The District has no understanding (other than the initial reoffering yields) with the winning bidder of the Bonds (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. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining: \$55,250,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System"); \$59,400,000 principal amount of unlimited tax bonds for the purposes of refunding Road System bonds; \$24,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities to serve the District (the "Park System"); \$24,000,000 principal amount of unlimited tax bonds for the purposes of refunding Park System bonds; \$191,135,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater, and a drainage system to serve the District (the "Utility System"); and \$194,500,000 principal amount of unlimited tax bonds for the purposes of refunding Utility System bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, special project bonds, and other obligations described in the Bond Resolution, which may be issued by the District from time to time as needed. The principal amount of unlimited tax bonds for parks and recreational facilities sold by the District is limited to one percent of the District's certified taxable assessed valuation, 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 greater than three percent of the value of the taxable property in the District at the time of issuance.

Following reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$19,000,000 for expenditures to construct the Utility System, Road System, and Park System in the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District's Engineer estimates that the aforementioned amounts of unlimited tax bonds which remain unissued will be adequate to finance the construction of all the Utility System, Road System and Park System.

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 of 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 "TAX MATTERS."

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. 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. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

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

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

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

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

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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

National Weather Service Atlas Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Potential Impact of Natural Disaster

The District is located approximately 75 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District are adversely affected.

Changes in Tax Legislation

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

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District or Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond

insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

See “MUNICIPAL BOND INSURANCE” and “RATING” herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to the District’s Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated October 1, 2024 (the “Dated Date”), and will accrue interest from the initial date of delivery, which is expected to be on or about October 16, 2024 (the “Date of Delivery”), with interest 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 are fully registered bonds maturing on September 1 of the years shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the 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.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee’s 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 purchase of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records.

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

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

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

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

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 of Texas; 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

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemptions

The Bonds maturing on September 1 in 2039 are term bonds (the "Term Bonds"), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$345,000 Term Bond Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 170,000
September 1, 2039 (Maturity)	\$ 175,000

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

Mutilated, Lost, Stolen or Destroyed 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 to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Source of Payment

The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies costs of collections, paying agent register fees and fees of the Appraisal Districts. Tax proceeds after deduction for collection costs, will be placed in the Road Debt Service Fund (defined herein) and used solely to pay principal of and interest on the Bonds and additional bonds payable from taxes that may be issued for the Road System, and paying agent/ registrar fees. The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; City of Waller, Texas; or any entity other than the District. The District is authorized to levy separate taxes to pay debt service on bonds issued for the purpose of the Utility System and Park System, and to pay debt service on bonds issued for the purpose of the Road System; both such taxes are unlimited as to rate or amount.

Outstanding Bonds

The District sold its \$3,365,000 Unlimited Tax Bonds, Series 2024 on August 20, 2024, which closed on September 19, 2024. As of the Date of Delivery, \$3,365,000 of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Authority for Issuance

The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$59,400,000 principal amount of unlimited tax bonds authorized by District's voters on May 7, 2022 for the purpose of constructing or acquiring the Road System. Additionally, voters in the District authorized \$59,400,000 principal amount of unlimited tax bonds for the purposes of refunding Road System bonds, \$194,500,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System, of which \$191,135,000 principal amount remains authorized but unissued and \$194,500,000 principal amount of unlimited tax bonds for the purposes of refunding Utility System bonds. Additionally, District voters authorized \$24,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Park System, and \$24,000,000 principal amount of unlimited tax bonds for the purposes of refunding Park System bonds.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an election held within the District as described above.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, 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 covenants 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.

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the Utility System) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Funds

The Bond Resolution creates the District's fund for payment of debt service on the Bonds and any additional unlimited tax bonds that the District may hereafter issue for the Road System (the "Road Debt Service Fund"). Twelve (12) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road Debt Service Fund. The Road Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Road System that are payable in whole or in part from taxes.

The District's also maintains a fund for payment of debt service on the Utility System bonds and any additional unlimited tax bonds that the District may hereafter issue for the Utility System (the "Utility Debt Service Fund"). Funds in the Utility Debt Service Fund will not be allocated to the payment of unlimited tax bonds issued by the District for the Road System, including the Bonds.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, as applicable, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$194,500,000 unlimited tax bonds for the Utility System and \$194,500,000 principal amount of unlimited tax bonds for purposes of refunding such bonds and could authorize additional amounts. The District's voters have also authorized the issuance of \$24,000,000 unlimited tax bonds for the Park System and \$24,000,000 principal amount of unlimited tax bonds for purposes of refunding such bonds; and \$59,400,000 unlimited tax bonds for the Road System and \$59,400,000 principal amount of unlimited tax bonds for purposes of refunding such bonds. The Bonds are the first series of unlimited tax bonds issued by the District for the Road System to serve the District. Following the issuance of the Bonds, \$55,250,000 unlimited tax bonds for the Road System; \$59,400,000 unlimited tax bonds for the purpose of refunding bonds issued for the Road System; \$191,135,000 unlimited tax bonds for the Utility System; \$194,500,000 unlimited tax bonds for the purpose of refunding bonds issued for the Utility System; \$24,000,000 unlimited tax bonds for the Park System; and \$24,000,000 unlimited tax bonds for the purpose of refunding bonds issued for the Park System will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ, where required). Following reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately \$19,000,000 for the Utility System, Road System, and Park System.

The District is also authorized by statute to engage in firefighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The District has not considered the adoption of a fire plan at this time.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on May 7, 2022, the District's voters authorized \$24,000,000 in unlimited tax bonds for the purpose of acquiring and constructing the Park System. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. Under current Texas law, 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 at the time of issuance, 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 (1%) but not more than three percent (3%) of the value of the taxable property in the District.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Utility Debt Service Fund, or defaults in the observance or performance of any of the other 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 competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to reimburse the Developer for a portion of the improvements and related costs shown below. Additionally, proceeds of the Bonds will be used to pay: for paving of Oakwood Estates Sections 1 and 2; twelve (12) months of capitalized interest; and other certain costs associated with the issuance of the Bonds.

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

I. CONSTRUCTION COSTS

Oakwood Estates Section 1 Paving.....	\$ 2,159,079
Oakwood Estates Section 2 Paving.....	<u>1,393,914</u>
Total Construction Costs.....	\$3,552,993

II. NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 118,750
Fiscal Agent Fees.....	83,000
Interest:	
a). Capitalized Interest (a).....	178,750
Bond Discount (a).....	124,203
Bond Issuance Expenses.....	44,482
Bond Engineering Report Costs.....	25,000
Attorney General Fee.....	4,150
Contingency (a).....	<u>18,672</u>
Total Non-Construction Costs.....	\$ 597,007

TOTAL BOND ISSUE REQUIREMENT..... \$4,150,000

(a) Contingency represents the difference in the estimated and actual amounts of capitalized interest and Bond discount.

THE DISTRICT

Authority

The District was legally created pursuant to House Bill No. 4272, 85th Session of the Texas Legislature, Regular Session, on June 12, 2017, now codified as Chapter 7998 of the Texas Special District Local Laws Code. The District's name was changed to Harris-Waller Counties Municipal Utility District No. 12 (previously known as Harris County Municipal Utility District No. 554). The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The TCEQ has jurisdiction over the District pursuant to Section 54.024, Texas Water Code. The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

The District also is authorized to construct, develop, and maintain park and recreational facilities including by issuing bonds payable from taxes for such purposes, and to issue bonds and other forms of indebtedness to purchase or construct roads.

Description

The District consisted of 95.955 acres at time of creation. On December 30, 2021, there was an exclusion removing approximately 95.094 acres from the District. On February 3, 2022, there was an annexation adding approximately 183.3 acres into the District. On March 7, 2022, there was an exclusion removing approximately 0.8610 acres from the District. On January 17, 2023, there was an annexation adding approximately 97.19 acres within Waller County to the District. The District currently contains approximately 280.49 acres and is located within both Harris and Waller Counties. The District's name was changed to Harris-Waller Counties Municipal Utility District No. 12 (previously known as Harris County Municipal Utility District No. 554). The District is split between the border of Harris and Waller Counties along FM-362 approximately 30 miles northwest of downtown Houston, and is located inside the city limits of the City of Waller, Texas (the "City"). The eastern portion of the District is located at the intersection of Knebel and Field Store Road. The western portion of the District is located along Cameron Road.

Utility Agreement Between the City of Waller and the District

All land in the District is located within the corporate limits of the City. The City and the District entered into the Second Amended and Restated Utility Agreement dated November 21, 2022, pertaining to the District (the "Utility Agreement"). Pursuant to the Utility Agreement, the District agreed to construct, at its sole expense, water distribution, wastewater collection, and storm drainage and detention facilities to serve the District and to convey the water distributions lines, wastewater collection lines, lift stations, and storm drainage lines to the City for ownership, operation, and maintenance at the City's expense. The City bills and collects for services from customers within the District and all revenues are the property of the City. The City has agreed to provide the District with its ultimate requirements for water supply and distribution and wastewater treatment and collection. The District is required to pay capital recovery fees to the City within ten days after the District receives the proceeds of the bonds issued to finance all or a portion of the water and wastewater facilities serving the land for which connections to the City's water supply and distribution and wastewater treatment and collection facilities have been acquired.

Pursuant to the Utility Agreement, the City has agreed that it will not dissolve the District until the water distribution, sanitary sewer collection, transportation and treatment, storm water collection, detention and drainage systems, road facilities, and parks and recreation facilities have been completed and all bonds have been issued by the District to finance such facilities. Upon dissolution of the District, the City will acquire all District assets and assume all outstanding bonds, debts, liabilities, and obligations of the District.

Management of the District

The District is governed by its Board of Directors (the “Board”) consisting of five directors, who have control over and management supervision of all affairs of the District. All of the directors own taxable property in the District. The directors serve staggered, four-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term</u>
Joan Leiber Ryman	President	May 2028
Matthew O'Neill	Vice President	May 2026
Donald Hayter	Secretary	May 2028
Justin Klump	Assistant Secretary	May 2026
Geneva Van Zijll	Assistant Vice President	May 2028

Investment Policy

The District has adopted an Investment Policy (the “Investment Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector: The tax assessor/collector for the District is Assessments of the Southwest, Inc.

Bookkeeper: The District’s bookkeeper is Myrtle Cruz, Inc.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual financial statements are filed with the TCEQ. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended October 31, 2023, which audited financial statements are attached hereto as “APPENDIX A.”

Engineer: The District’s engineer is LJA Engineering, Inc. (the “Engineer”). Such firm acts as engineer for many residential and commercial developments in Texas.

General and Bond Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel (“Disclosure Counsel”) in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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

General Fund Operating Statement

The following is a summary of the District’s operating fund activity for the fiscal year ended October 31, 2023 and the unaudited summary for the period beginning November 1, 2023, and ended July 31, 2024 as provided by the District’s bookkeeper. The summary below has been prepared by the Financial Advisor based upon information obtained from the District’s audited financial statements. Reference is made to such statements for further and more complete information. See “APPENDIX A.”

	11/1/2023 through 7/31/2024 (a)	Fiscal Year Ended 10/31/2023
Revenues		
Property Taxes	111,000	\$ -
Penalties and Interest	-	-
Miscellaneous	52,810	963
Investment Earnings	-	13
Total	\$ 163,810	\$ 976
Expenditures		
Professional Fees	182,501	\$ 122,131
Contracted Services	16,460	16,303
Repairs and Maintenance	51,765	12,071
Utilities	4,208	790
Administrative	17,555	17,331
Other	2,397	2,477
Total	\$ 274,886	\$ 171,103
NET REVENUES (Deficit)	\$ (111,076)	\$ (170,127)
Other Financing Sources (Uses):		
Developer Advances	\$ 201,032	\$ 142,400
Interfund Transfers	\$ -	\$ -
Beginning fund balance	\$ (63,842)	(\$36,115)
Ending fund balance	\$ 26,114	\$ (63,842)

(a) Unaudited, provided by the bookkeeper.

DEVELOPMENT OF THE DISTRICT

The District is part of the development of Oakwood Estates, a community that consists of approximately 183.3 total acres located within the corporate limits of the City of Waller, Texas. As of July 1, 2024, approximately 86.80 acres (338 lots) in the District have been developed as the single-family residential subdivisions of Oakwood Estates, Sections 1 – 2. As of July 1, 2024, said subdivisions included approximately 183 completed homes (including 4 model homes), approximately 29 homes under construction, and approximately 126 vacant developed lots. The remainder of the land within the District currently includes approximately 170.69 acres that are undeveloped but developable and 23 undevelopable acres for detention, roadways, and reserves for parks, open spaces, and landscaping.

Status of Development within the District

The table below summarizes the status of development and land use within the District as of July 1, 2024:

Section	Type of Development	Acreage	No. of Lots	Homes		Vacant Lots
				Complete	Under Construction	
Oakwood Estates, Section 1	Single Family	47.03	176	145	10	21
Oakwood Estates, Section 2	Single Family	39.77	162	38	19	105
Total		86.80	338	183	29	126
Undevelopable		23.00				
Remaining Developable		<u>170.69</u>				
Total District Acreage		280.49				

PRINCIPAL LANDOWNER/DEVELOPER

Role of the 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 TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain water, wastewater and drainage facilities in a 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 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.

Developer

Approximately 183.3 acres of land within the District, known as Oakwood Estates, is being developed by Field Store Dev, LLC, a Texas limited liability company (the "Developer"), whose general partner is Field Store Manager LLC, a Texas limited liability company.

The Developer is a single purpose entity formed and capitalized for the purpose of developing the land it owns within the District. The Developer is a limited liability company whose assets primarily consist of the land it owns in the District and the receivables due from the District for development costs. Further, according to the Developer, it is currently operating with a net income, with its income comprised almost entirely of revenues from the sale of real estate and developed lots. See "Development Financing" below.

To date, the Developer has developed approximately 86.80 acres (338 lots) as the single-family residential subdivisions of Oakwood Estates, Sections 1 – 2. The Developer currently owns approximately 85.17 remaining developable acres of land located in the District and approximately 5 vacant developed lots.

The Developer is under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. In addition, prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further

development within the District will occur, construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Development Financing

The Developer has financed the development of a portion of the land within the District with the outstanding loan detailed below:

The Developer has a \$11,562,748 loan from Home Bank. Such loan bears interest rate of 8.50% and matures on December 31, 2025. The loan is secured by land owned by Field Store Dev., LLC within the District. The outstanding balance on the loan is \$4,374,529 as of August 13, 2024. According to the Developer, it is in compliance with all material conditions of the loan.

Homebuilders within the District

Ashton Houston Residential LLC, Brightland Homes, Ltd., K. Hovnanian of Houston II LLC, Weekley Homes LLC, and Gehan Homes Ltd. are active homebuilders within the District. Prices of new homes being constructed in the District range from approximately \$310,000 to approximately \$490,000.

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AERIAL PHOTOGRAPH OF THE DISTRICT
(July 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(July 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(July 2024)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2025	\$ 143,236	\$ -	\$ 156,406	\$ 299,643
2026	230,775	95,000	178,750	504,525
2027	225,575	100,000	172,575	498,150
2028	225,375	105,000	166,450	496,825
2029	224,850	110,000	159,625	494,475
2030	224,000	115,000	152,475	491,475
2031	222,825	120,000	145,000	487,825
2032	223,825	125,000	140,200	489,025
2033	224,625	135,000	135,200	494,825
2034	225,225	140,000	129,800	495,025
2035	225,625	145,000	124,200	494,825
2036	225,825	155,000	118,400	499,225
2037	225,825	160,000	112,200	498,025
2038	225,625	170,000	105,800	501,425
2039	230,225	175,000	99,000	504,225
2040	229,244	185,000	92,000	506,244
2041	228,056	195,000	84,600	507,656
2042	231,469	205,000	76,800	513,269
2043	229,456	210,000	68,600	508,056
2044	232,231	220,000	60,200	512,431
2045	234,581	235,000	51,400	520,981
2046	231,506	245,000	42,000	518,506
2047	233,219	255,000	32,200	520,419
2048	234,250	270,000	22,000	526,250
2049	234,844	280,000	11,200	526,044
	<u>\$5,622,293</u>	<u>\$4,150,000</u>	<u>\$2,637,081</u>	<u>\$12,409,374</u>

Average Annual Debt Service Requirement (2026-2049)	\$504,572
Maximum Annual Debt Service Requirement (2048)	\$526,250

[Remainder of page intentionally left blank.]

Bonded Indebtedness

2023 Taxable Assessed Valuation	\$ 15,264,173	(a)
2024 Taxable Assessed Valuation	\$ 51,264,045	(b)
Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$ 72,904,959	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 3,365,000	
The Bonds	\$ 4,150,000	
Total	\$ 7,515,000	
Estimated Overlapping Debt	\$ 2,067,927	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 9,582,927	(d)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	14.66	%
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2024.....	10.31	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	18.69	%
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2024.....	13.14	%
Utility Debt Service Fund Balance (as of delivery of the Bonds).....	\$ 264,994	(e)
Road Debt Service Fund Balance (as of delivery of the Bonds).....	\$ 178,750	(f)
General Fund Balance (as of August 20, 2024)	\$ 34,230	(g)

-
- (a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2023, as provided by the Harris Central Appraisal District and the Waller County Appraisal District (the "Appraisal Districts"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Represents the assessed valuation of all taxable property located within the District as of January 1, 2024, consisting of \$45,797,145 of certified value and \$2,363,610 of uncertified value, as provided by Harris Central Appraisal District, and \$3,103,290 of certified value, as provided by Waller County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2024, from January 1, 2024, through July 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (d) See "Estimated Direct and Overlapping Debt Statement" herein.
 - (e) Represents eighteen (18) months of capitalized interest to be deposited into the Utility Debt Service Fund upon closing of the \$3,365,000 Unlimited Tax Bonds, Series 2024 which closed on September 19, 2024. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility Debt Service Fund. Funds in the Utility Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, wastewater, and drainage facilities and are not available to pay debt service on bonds issued by the District for road purposes (e.g. the Bonds).
 - (f) Represents twelve (12) months of capitalized interest to be deposited into the Road Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund. Funds in the Road Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for road facilities (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for the Utility System.
 - (g) See "RISK FACTORS – Operating Funds."

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 from information contained in *Texas Municipal Reports* published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Tax Year</u>	<u>AV</u>	<u>Debt as of</u> <u>7/31/2024</u>	<u>Overlapping</u>	
				<u>Percent</u>	<u>Amount</u>
Harris County	2023	\$ 652,165,082,567	\$ 1,994,511,319	0.00%	\$ 46,682
City of Waller, Texas	2023	660,117,222	18,385,000	2.31%	425,124
Waller Independent School District	2023	6,724,337,201	703,140,000	0.23%	1,596,120
Harris County Flood Control District	2023	638,106,262,453	991,095,000	0.00%	(a)
Port of Houston Authority	2023	638,796,463,000	426,134,397	0.00%	(a)
Harris County Hospital District	2023	590,883,076,667	65,285,000	0.00%	(a)
Harris County Department of Education	2023	649,822,140,910	28,960,000	0.00%	(a)
Total Estimated Overlapping Debt					\$ 2,067,927
The District Direct Debt (b)					\$ 7,515,000
Total Direct Debt and Estimated Overlapping Debt					\$ 9,582,927

- (a) Represents less than 0.01% of overlapping debt.
- (b) The Outstanding Bonds and the Bonds.

Debt Ratios

	<u>Percentage of 2024</u> <u>Taxable Assessed</u> <u>Valuation</u>	<u>Percentage of</u> <u>Estimated Taxable</u> <u>Assessed Valuation as</u> <u>of July 1, 2024</u>
Direct Debt (a)	14.66%	10.31%
Total Direct and Estimated Overlapping Debt (a)	18.69%	13.14%

- (a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising

property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by such appraisal district. The Harris Central Appraisal District and the Waller County Appraisal District (the "Appraisal Districts") has the responsibility of appraising property for all taxing units within Harris County, Texas and Waller County, Texas, including the District. Such appraisal values will be subject to review and change by the Appraisal Review Board, of the Appraisal Districts. The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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

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

Residential Homestead Exemptions: The Property Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a homestead exemption. See "TAX DATA."

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

if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

The Property 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 property in the Appraisal Districts at least once every three years. It is not known what frequency of reappraisals 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 chooses to formally include such values on its appraisal roll.

The Property 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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an

application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Code, the Appraisal Districts is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Tax Payment Installments After Disaster

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, may be 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 Units.

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

The District: For the 2024 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES". The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "RISK FACTORS". For the 2023 tax year, the District levied a total tax rate of \$0.99 per \$100 of assessed valuation composed wholly of a maintenance and operations tax rate. The District intends to levy a debt service tax rate beginning in 2024 for the payment of bonds issued for the Utility System and the Road System.

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 Assessed Taxable Valuation.
Maintenance (Roads):	\$0.25 per \$100 Assessed Taxable Valuation.

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 vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax every year since the 2022 tax year. The Board also is authorized by the District's voters to levy a maintenance tax for road improvements in an amount not to exceed \$0.25 per \$100 of assessed valuation. The District has not levied a maintenance tax for roads. See "– Tax Rate Distribution" below.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2024 Taxable Assessed Valuation (\$51,264,045), or the Estimated Taxable Assessed Valuation as of July 1, 2024 (\$72,904,959). The calculations assume collection of 95% of taxes levied, the Outstanding Bonds and the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2026-2049)	\$ 504,572
Debt Service Tax Rate of \$1.04 on the 2024 Taxable Assessed Valuation	\$ 506,489
Debt Service Tax Rate of \$0.73 on the Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$ 505,596
Maximum Annual Debt Service Requirement (2048)	\$ 526,250
Debt Service Tax Rate of \$1.09 on the 2024 Taxable Assessed Valuation	\$ 530,839
Debt Service Tax Rate of \$0.76 on the Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$ 526,374

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Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – 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.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2023 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>Harris County</u> <u>2023 Tax Rate</u>	<u>Waller County</u> <u>2023 Tax Rate</u>
The District (a)	\$ 0.990000	\$ 0.990000
City of Waller, Texas	0.490400	0.490400
Harris County, Texas	0.350070	-
Waller County, Texas	-	0.498691
Farm Roads		0.086301
Waller Independent School District	1.109200	1.109200
Harris County Flood Control District	0.031050	-
Port of Houston Authority	0.005740	-
Harris County Hospital District	0.143430	-
Harris County Department of Education	0.004800	-
Waller-Harris ESD 200	0.086301	0.086301
Estimated Total Tax Rate	\$ 3.210991	\$ 3.260893

(a) The District authorized publication of its intent to levy a 2024 total tax rate of \$0.990 per \$100 of assessed valuation (comprised of \$0.30 per \$100 of assessed valuation for utility debt service, \$0.34 per \$100.00 of assessed valuation for road debt service, and \$0.35 per \$100 of assessed valuation for maintenance and operations) with the intent to levy such tax rate at its October 15, 2024 meeting date.

Historical Tax Collections

<u>Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100</u>	<u>Tax Levy</u>	<u>% of Current Collections</u>	<u>Tax Year Ended 9/30</u>	<u>Collections as 6/30/2024</u>
2022	\$218,644	\$ 0.99	\$ 2,165	100.00%	2023	100.00%
2023	15,264,173	0.99	151,115	97.99%	2024	97.99%

Tax Rate Distribution

	<u>2024 (a)</u>	<u>2023</u>	<u>2022</u>
Utility Debt Service	\$0.30	\$ -	\$ -
Road Debt Service	0.34	-	-
Maintenance & Operations	0.35	0.99	0.99
Total	\$0.99	\$ 0.99	\$ 0.99

(a) The District authorized publication of its intent to levy a 2024 total tax rate of \$0.990 per \$100 of assessed valuation (comprised of \$0.30 per \$100 of assessed valuation for utility debt service, \$0.34 per \$100.00 of assessed valuation for road debt service, and \$0.35 per \$100 of assessed valuation for maintenance and operations) with the intent to levy such tax rate at its October 15, 2024 meeting date.

Assessed Taxable Valuation Summary

The following represents the types of property comprising the District assessed taxable value for each of the 2022–2023 tax years.

Type of Property	2023	2022
	Taxable Assessed Valuation	Taxable Assessed Valuation
Land	\$ 15,266,525	\$ 220,996
Improvements	-	-
Personal Property	-	-
Exemptions	(2,352)	(2,352)
Uncertified	-	-
Total	\$ 15,264,173	\$ 218,644

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District’s certified appraisal rolls for the 2023 tax year.

Taxpayer	Property Type	2023 Tax Year	% of Tax Roll
Field StoreDev LLC (a)	Land & Improvements	\$ 8,238,456	53.97%
Brightland Homes Ltd.	Land & Improvements	1,624,450	10.64%
K Hovnanian of Houston II LLC	Land & Improvements	1,566,882	10.27%
Ashton Houston Residential LLC	Land & Improvements	1,564,236	10.25%
Weekley Homes LLC	Land & Improvements	1,399,962	9.17%
Unknown	Land & Improvements	810,437	5.31%
Gehan Homes Ltd.	Land & Improvements	59,750	0.39%
Not Applicable		-	0.00%
Not Applicable		-	0.00%
Not Applicable		-	0.00%
Total		15,264,173	100.00%

(a) See “PRINCIPAL LANDOWNER/DEVELOPER.”

THE UTILITY SYSTEM

Regulation

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

Operation of the District’s waterworks and sewage treatment facilities is provided by the City and is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Source of Water Supply

Water supply for the District is provided by the City pursuant to the Utility Agreement. The District constructed approximately 5,143 feet of 12-inch line to connect to the City’s existing water main along Field Store Road. The water supply is from various groundwater sources obtained by the City. According to the Engineer, the City’s water supply facilities currently consist of four water supply plants with a combined water well capacity of 1,750 gallons per minute ("gpm"), ground and elevated storage tank capacity of 1,155,000 gallons and 5,400 gpm of service pump capacity and based on current facilities, the City is capable of serving 2,700 equivalent single family connections. According to the Engineer, the City is currently serving 1,834 active connections including 183 active residential connections and 29 homes under construction in the District

Wastewater Treatment

Wastewater treatment for the District is provided by the City pursuant to the Utility Agreement. The District constructed approximately 4,480 feet of sanitary force main to connect to the City's existing sanitary main along Field Store Road. The City's wastewater facilities are permitted for 0.900 million gallons per day (gpd) , and the existing City facilities can adequately serve 3,000 equivalent single family connections. According to the District Engineer, the City is currently serving 1,412 active single family connections including 183 active residential connections and 29 homes under construction in the District.

100 Year Flood Plain

According to the Federal Emergency Management Agency Flood Insurance Rate Map Nos. 48201C016L and 48473C0155F0, none of the District's land is located in the 100-year flood plain.

National Weather Service Atlas Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Storm-Water Drainage Facilities

The natural drainage pattern for the District consists of overland sheet flow. The existing condition is undeveloped flow. The drainage naturally flows south-east into Kickapoo Creek.

The drainage system improvements to serve the District's development include curb and gutter road drainage connected to underground storm sewers. The storm sewers will discharge directly into the internal detention pond within the development and ultimately into Kickapoo Creek via gravity flow and a Storm Water Pump Station. The District currently has one detention pond and one Storm Water Pump Station.

THE ROAD SYSTEM

The road system serves residents of the District by providing access to the major thoroughfares and collectors from the Oakwood Estates development to the surrounding area. The collectors serving the District include Field Store Road and Knebel Road. Field Store Road and Knebel Road act as collectors by conveying residents of the District to the major thoroughfare of FM 362 which connects to the Knebel Road to the north and US 290 to the south. The District will finance, design, and construct the road system in phases as development progresses. The road system will ultimately be owned, operated, and maintained by the City as the phases are constructed and accepted by the City. The District does not intend to maintain or operate the roads once they are accepted by the City.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "- Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement

nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

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

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

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

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

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-

exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2024.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

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 (including the Bonds) 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 financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB.

In addition, the District and the Developer have 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 and the Developer will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such person owns 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 person has 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 person is 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 financial information and operating data which will be provided with respect to the District is found in "APPENDIX A" (Financial Statements of the District) and with respect to the Developer is found in "TAX DATA - Principal Taxpayers." The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending on or after 2024. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

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

Availability of Information from EMMA

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District anticipates entering into its first continuing disclosure agreement in accordance with the Rule with the issuance of the Outstanding Bonds, anticipated to close on September 19, 2024.

OFFICIAL STATEMENT

General

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

Experts

The information contained in the Official Statement relating to engineering and to the description of the System and the Road System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM," has been provided by LJA Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Assessments of the Southwest, Inc. and the Appraisal Districts. Such information has been included herein in reliance upon Assessments of the Southwest, Inc. authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in 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.

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Harris-Waller Counties Municipal Utility District No. 12 as of the date shown on the cover page hereof.

/s/ Ioan Leiber Ryman
President, Board of Directors
Harris-Waller Counties Municipal Utility District No. 12

ATTEST:

/s/ Donald Hayter
Secretary, Board of Directors
Harris-Waller Counties Municipal Utility District No. 12

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**HARRIS – WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 12
HARRIS AND WALLER COUNTIES, TEXAS
FINANCIAL REPORT
October 31, 2023**

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Fund Balance Sheet		14
Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		28
Notes to Required Supplementary Information		29
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	32
General Fund Expenditures	TSI-2	34
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	35
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	36
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/a
Board Members, Key Personnel and Consultants	TSI-8	38

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Harris - Waller Counties Municipal Utility District No. 12

Harris and Waller Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Harris - Waller Counties Municipal Utility District No. 12 (the "District"), as of and for the year ended October 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Harris - Waller Counties Municipal Utility District No. 12, as of October 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Directors
Harris - Waller Counties Municipal Utility District No. 12
Harris and Waller Counties, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris - Waller Counties Municipal Utility District No. 12
Harris and Waller Counties, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Ha



Houston, Texas
February 20, 2024

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Management's Discussion and Analysis

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***Harris - Waller Counties Municipal Utility District No. 12
Management's Discussion and Analysis
October 31, 2023***

Using this Annual Report

Within this section of the financial report of Harris - Waller Counties Municipal Utility District No. 12 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended October 31, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Harris - Waller Counties Municipal Utility District No. 12
Management’s Discussion and Analysis
October 31, 2023***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District’s net position at October 31, 2023, was negative \$6,184,106. The District’s net position is negative because the District incurs debt to construct water, sewer, certain drainage and road facilities which it conveys to the City of Waller and because the District relies on advances from its developer to fund operating costs. A comparative summary of the District’s overall financial position, as of October 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 116,685	\$ 26,733
Capital assets	1,041,740	1,041,740
Total assets	1,158,425	1,068,473
Current liabilities	72,729	36,115
Long-term liabilities	7,164,624	1,183,240
Total liabilities	7,237,353	1,219,355
Total deferred inflows of resources	105,178	26,733
Net position		
Net investment in capital assets	(606)	
Unrestricted	(6,183,500)	(177,615)
Total net position	\$ (6,184,106)	\$ (177,615)

***Harris - Waller Counties Municipal Utility District No. 12
Management's Discussion and Analysis
October 31, 2023***

The total net position of the District decreased during the current fiscal year by \$6,006,491. A comparative summary of the District's *Statement of Activities* for the current year and prior fiscal year (unaudited) is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 2,620	\$ -
Other	976	
Total revenues	<u>3,596</u>	
 Expenses		
Operating and administrative	<u>171,103</u>	<u>171,237</u>
 Change in net position before other item	(167,507)	(171,237)
 Other items		
Transfers to other governments	<u>(5,838,984)</u>	
 Change in net position	(6,006,491)	(171,237)
Net position, beginning of year	<u>(177,615)</u>	<u>(6,378)</u>
Net position, end of year	<u>\$ (6,184,106)</u>	<u>\$ (177,615)</u>

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund, as of October 31, 2023, was negative \$63,842. A comparative summary of the General Fund's financial position as of October 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 116,685</u>	<u>\$ 26,733</u>
Total liabilities	\$ 72,729	\$ 36,115
Total deferred inflows	107,798	26,733
Total fund balance	<u>(63,842)</u>	<u>(36,115)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 116,685</u>	<u>\$ 26,733</u>

***Harris - Waller Counties Municipal Utility District No. 12
Management’s Discussion and Analysis
October 31, 2023***

A comparative summary of the General Fund’s activities for the current and prior fiscal year (unaudited) is as follows:

	2023	2022
Total revenues	\$ 976	\$ -
Total expenditures	(171,103)	(171,237)
Revenues under expenditures	(170,127)	(171,237)
Other changes in fund balance	142,400	141,500
Net change in fund balance	\$ (27,727)	\$ (29,737)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from developer advances. The developer in the District advances funds to the District as needed to pay operating costs. The deficit fund balance in the General Fund is the result of timing differences between developer advances and expenditures for which those advances are intended to fund.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$28,038 less than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

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

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

	2023	2022
Capital assets not being depreciated		
Land and improvements	\$ 1,041,740	\$ 1,041,740

Additionally, the District and the City of Waller (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage and road facilities to serve the District and, when completed, to convey title to the facilities to the City. The City also assumes maintenance on certain public roads constructed within its boundaries. Detention facilities and certain other capital assets are retained by the District. For the year ended October 31, 2023, capital assets in the amount of \$5,838,984 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

*Harris - Waller Counties Municipal Utility District No. 12
 Management's Discussion and Analysis
 October 31, 2023*

Long-Term Debt and Related Liabilities

As of October 31, 2023, the District owes approximately \$7,164,624 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of \$6,687,403 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At October 31, 2023, the District had \$194,500,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$194,500,000 for the refunding of such bonds; \$24,000,000 for parks and recreational facilities and \$24,000,000 for the refunding of such bonds; and \$59,400,000 for road improvements and \$59,400,000 for the refunding of such bonds.

Next Year's Budget

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

	2023 Actual	2024 Budget
Total revenues	\$ 976	\$ 135,000
Total expenditures	(171,103)	(254,774)
Revenues under expenditures	(170,127)	(119,774)
Other changes in fund balance	142,400	120,000
Net change in fund balance	(27,727)	226
Beginning fund balance	(36,115)	(63,842)
Ending fund balance	<u>\$ (63,842)</u>	<u>\$ (63,616)</u>

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Basic Financial Statements

Harris - Waller Counties Municipal Utility District No. 12
Statement of Net Position and Governmental Fund Balance Sheet
October 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 8,887	\$ -	\$ 8,887
Taxes receivable, net	107,798		107,798
Capital assets not being depreciated		1,041,740	1,041,740
Total Assets	<u>\$ 116,685</u>	<u>1,041,740</u>	<u>1,158,425</u>
Liabilities			
Accounts payable	\$ 62,893		62,893
Other payables	9,836		9,836
Due to developers		7,164,624	7,164,624
Total Liabilities	<u>72,729</u>	<u>7,164,624</u>	<u>7,237,353</u>
Deferred Inflows of Resources			
Deferred property taxes	107,798	(2,620)	105,178
Fund Balance/Net Position			
Fund Balance			
Unassigned	<u>(63,842)</u>	<u>63,842</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 116,685</u>		
Net Position			
Net investment in capital assets		(606)	(606)
Unrestricted		(6,183,500)	(6,183,500)
Total Net Position		<u>\$ (6,184,106)</u>	<u>\$ (6,184,106)</u>

See notes to basic financial statements.

*Harris - Waller Counties Municipal Utility District No. 12
Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance
For the Year Ended October 31, 2023*

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ -	\$ 2,165	\$ 2,165
Penalties and interest		455	455
Miscellaneous	963		963
Investment earnings	13		13
Total Revenues	976	2,620	3,596
Expenditures/Expenses			
Operating and administrative			
Professional fees	122,131		122,131
Contracted services	16,303		16,303
Repairs and maintenance	12,071		12,071
Utilities	790		790
Administrative	17,331		17,331
Other	2,477		2,477
Total Expenditures/Expenses	171,103		171,103
Revenues Under Expenditures/Expenses	(170,127)	2,620	(167,507)
Other Financing Sources			
Developer advance	142,400	(142,400)	
Other Item			
Transfers to other governments		(5,838,984)	(5,838,984)
Net Change in Fund Balance	(27,727)	27,727	
Change in Net Position		(6,006,491)	(6,006,491)
Fund Balance/Net Position			
Beginning of the year	(36,115)	(141,500)	(177,615)
End of the year	\$ (63,842)	\$ (6,120,264)	\$ (6,184,106)

See notes to basic financial statements.

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Harris - Waller Counties Municipal Utility District No. 12
Notes to Financial Statements
October 31, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris - Waller Counties Municipal Utility District No. 12 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established as Harris County Municipal Utility District No. 554 pursuant to House Bill No. 4272, 85th Session of the Texas Legislature, Regular Session, codified as Chapter 7998, Texas Special District Local Law Code (the “Act”), effective June 12, 2017, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 27, 2021. On August 14, 2023, the District received approval from the TCEQ to change the District’s name to Harris – Waller Counties Municipal Utility District No. 12.

The District is responsible for providing water, sewer, drainage, recreational, and road facilities within the District. As further discussed in Note 8, the District transfers the water, sewer and certain drainage and road facilities to the City of Waller for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal financial resources are developer advances. Expenditures include costs associated with the daily operations of the District.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Receivables

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred inflows of financial resources at the government-wide level consist of the 2023 property tax levy, which was levied to finance the 2024 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance – Governmental Fund

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

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

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

Unassigned – deficit fund balance in the General Fund.

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

Use of Estimates

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

Harris - Waller Counties Municipal Utility District No. 12
Notes to Financial Statements
October 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental fund	\$ (63,842)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	1,041,740
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(7,164,624)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	2,620
Total net position - governmental activities	<u><u>\$ (6,184,106)</u></u>

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

Net change in fund balances - total governmental fund	\$ (27,727)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference consists of property taxes and related penalties and interest.	2,620
The District conveys certain infrastructure to the City of Waller upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(5,838,984)
Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(142,400)
Change in net position of governmental activities	<u><u>\$ (6,006,491)</u></u>

Harris - Waller Counties Municipal Utility District No. 12
Notes to Financial Statements
October 31, 2023

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Capital Assets

As of October 31, 2023, the District’s capital assets consisted of the following:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,041,740	\$ -	\$ 1,041,740

Harris - Waller Counties Municipal Utility District No. 12
Notes to Financial Statements
October 31, 2023

Note 5 – Due to Developer

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

The District’s developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 1,183,240
Developer funded construction	5,838,984
Operating advances from developer	142,400
Due to developer, end of year	<u>\$ 7,164,624</u>

In addition, the District will owe the developers approximately \$6,687,403, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Percentage Completed</u>
Oakwood Estates phase 2 mass grading	\$ 1,115,942	79%
Lift Station No. 1 and Storm Water Pump Station No. 1	2,240,869	81%
Oakwood Estates Section 2 - utilities	3,266,023	82%
Lift Station/Pump Station planting and irrigation	64,569	0%
	<u>\$ 6,687,403</u>	

Note 6 – Long-Term Debt

At October 31, 2023, the District had authorized but unissued bonds in the amount of \$194,500,000 for water, sewer and drainage facilities and \$194,500,000 for the refunding of such bonds; \$24,000,000 for park and recreational facilities and \$24,000,000 for the refunding of such bonds; and \$59,400,000 for road improvements and \$59,400,000 for the refunding of such bonds.

Harris - Waller Counties Municipal Utility District No. 12
Notes to Financial Statements
October 31, 2023

Note 7 – Property Taxes

On May 7, 2022, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a road maintenance tax limited to \$0.25 per \$100 of assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.99 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$0 on the adjusted taxable value of \$0.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. On the government-wide *Statement of Net Position*, the full 2023 tax levy of \$105,179 is reported as deferred inflows. These amounts will be recognized as revenue in 2024.

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

Current year taxes receivable	\$ 105,179
Prior years taxes receivable	2,164
	<u>107,343</u>
Penalty and interest receivable	455
Property taxes receivable	<u><u>\$ 107,798</u></u>

Note 8 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Waller (the “City”), the District transfers all of its water, sewer, and certain drainage and road facilities to the City (see Note 9). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended October 31, 2023, the District reported transfers to other governments in the amount of \$5,838,984 for projects completed and transferred to the City.

Harris - Waller Counties Municipal Utility District No. 12
Notes to Financial Statements
October 31, 2023

Note 9 – Utility Agreement with the City of Waller

On August 21, 2017, the District entered into a utility agreement, subsequently amended and restated on January 31, 2022, with the City of Waller (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems and public drainage facilities to serve the District. The City also assumes maintenance of public roads constructed within its boundaries. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is forty-five years.

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

The District shall pay a capital recovery fee to the City for each water connection and each sewer connection in the amount of \$2,611 per combined connection. As of October 31, 2023, the District has not yet made such a payment to the City.

Note 10 – Risk Management

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

Note 11 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer’s willingness to make future operating advances and/or to pay property taxes will directly affect the District’s ability to meet its future obligations.

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Required Supplementary Information

*Harris - Waller Counties Municipal Utility District No. 12
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended October 31, 2023*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 30,000	\$ -	\$ (30,000)
Miscellaneous		963	963
Investment earnings		13	13
Total Revenues	<u>30,000</u>	<u>976</u>	<u>(29,024)</u>
Expenditures			
Operating and administrative			
Professional fees	105,000	122,131	(17,131)
Contracted services	12,000	16,303	(4,303)
Repairs and maintenance		12,071	(12,071)
Utilities		790	(790)
Administrative	20,189	17,331	2,858
Other	2,500	2,477	23
Total Expenditures	<u>139,689</u>	<u>171,103</u>	<u>(31,414)</u>
Revenues Under Expenditures	(109,689)	(170,127)	(60,438)
Other Financing Source			
Developer advances	<u>110,000</u>	<u>142,400</u>	<u>32,400</u>
Net Change in Fund Balance	311	(27,727)	(28,038)
Fund Balance			
Beginning of the year	(36,115)	(36,115)	
End of the year	<u>\$ (35,804)</u>	<u>\$ (63,842)</u>	<u>\$ (28,038)</u>

Harris - Waller Counties Municipal Utility District No. 12
Notes to Required Supplementary Information
October 31, 2023

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Harris - Waller Counties Municipal Utility District No. 12
TSI-1. Services and Rates
October 31, 2023

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

- Retail Water Wholesale Water Solid Waste/ Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks/ Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 Other (Specify): _____

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditors' report.

Harris - Waller Counties Municipal Utility District No. 12
TSI-1. Services and Rates
October 31, 2023

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

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

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

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

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

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

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

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

***Harris - Waller Counties Municipal Utility District No. 12
 TSI-2. General Fund Expenditures
 For the Year Ended October 31, 2023***

Professional fees	
Legal	\$ 96,975
Engineering	25,156
	<u>122,131</u>
Contracted services	
Bookkeeping	8,400
Operator	7,000
Tax collector	650
Appraisal District	253
	<u>16,303</u>
Repairs and maintenance	<u>12,071</u>
Utilities	<u>790</u>
Administrative	
Directors fees	8,186
Printing and office supplies	988
Insurance	5,572
Other	2,585
	<u>17,331</u>
Other	<u>2,477</u>
Total expenditures	<u>\$ 171,103</u>

See accompanying auditors' report.

Harris - Waller Counties Municipal Utility District No. 12
TSI-4. Taxes Levied and Receivable
October 31, 2023

	Maintenance Taxes	
Taxes Receivable, Beginning of Year	\$	26,733
Adjustments to Prior Year Tax Levy		(24,569)
Adjusted Receivable		<u>2,164</u>
2023 Original Tax Levy		104,587
Adjustments		592
Adjusted Tax Levy		<u>105,179</u>
Total to be accounted for		<u>107,343</u>
Taxes Receivable, End of Year	\$	<u><u>107,343</u></u>
Taxes Receivable, By Years		
2023	\$	105,179
2022		2,164
Taxes Receivable, End of Year	\$	<u><u>107,343</u></u>
	<u>2023</u>	<u>2022</u>
Property Valuations:		
Land	\$ 10,626,462	\$ 2,352
Exemptions	(2,352)	(2,352)
Total Property Valuations	<u>\$ 10,624,110</u>	<u>\$ -</u>
Tax Rates per \$100 Valuation:		
Maintenance tax rate	<u>\$ 0.99</u>	<u>\$ 0.99</u>
Adjusted Tax Levy:	<u>\$ 105,179</u>	<u>\$ -</u>
Percentage of Taxes Collected to Taxes Levied ***	<u>0.00%</u>	<u>0.00%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 7, 2022

** Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 7, 2022

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

See accompanying auditors' report.

Harris - Waller Counties Municipal Utility District No. 12
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Three Fiscal Years

	Amounts		
	2023	2022*	2021*
Revenues			
Miscellaneous	\$ 963	\$ -	\$ -
Investment earnings	13		
Total Revenues	<u>976</u>	<u>-</u>	<u>-</u>
Expenditures			
Operating and administrative			
Professional fees	122,131	143,847	
Contracted services	16,303	9,438	
Repairs and maintenance	12,071		
Utilities	790		
Administrative	17,331	16,505	4,404
Other	2,477	1,447	1,974
Total Expenditures	<u>171,103</u>	<u>171,237</u>	<u>6,378</u>
Revenues Under Expenditures	<u>\$ (170,127)</u>	<u>\$ (171,237)</u>	<u>\$ (6,378)</u>

*Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues		
2023	2022*	2021*
99%	- %	- %
1%		
100%	-	-
12513%	-	
1670%	-	
1237%		
81%		
1776%	-	-
254%	-	-
17531%	-	-
(17431%)	-	-

***Harris - Waller Counties Municipal Utility District No. 12
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended October 31, 2023***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): September 19, 2023
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Joan L. Ryman	5/22 - 5/24	\$ 1,713	\$ 29	President
Matthew O'Neill	5/22 - 5/26	1,263	13	Vice President
Donald R. Hayter	9/23 - 5/24	663	65	Secretary
Geneva Van Zijll	9/22 - 5/24	1,563	292	Assistant Vice President
Justin Klump	5/22 - 5/26	1,713	358	Assistant Secretary
Tayo Ilori	5/22 - 7/23	1,271	140	Former Secretary
Consultants				
Allen Boone Humphries Robinson, LLP <i>General legal fees</i>	08/21	<u>Amounts Paid</u> \$ 70,011		Attorney
Inframark, LLC	03/23	5,000		Operator
Myrtle Cruz, Inc.	08/21	8,596		Bookkeeper
LJA Engineering & Surveying, Inc.	08/21	19,286		Engineer
Assessments of the Southwest, Inc.	08/21	500		Tax Collector
Harris Central Appraisal District	Legislation	253		Property Valuation
Waller County Appraisal District	Legislation			Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/22			Delinquent Tax Attorney
Bruno Land Design, LLC	03/22			Landscape Architect
McGrath & Co., PLLC	09/23			Auditor
Robert W. Baird & Co., Inc.	06/22			Financial Advisor

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

See accompanying auditors' report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN