OFFICIAL STATEMENT DATED AUGUST 29, 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 BOND COUNSEL'S OPINION.

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

NEW ISSUE – Book Entry Only

Moody's Investors Service, Inc. (Underlying).."Baa3"
S&P Global Ratings (AG Insured).."AA"
Moody's Investors Service, Inc. (AG Insured).."A1"
See "MUNICIPAL BOND INSURANCE" and "RATINGS."

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 5

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

$3,700,000 Unlimited Tax Bonds Series 2024	**$10,035,000 Unlimited Tax Road Bonds Series 2024**	**$9,300,000 Unlimited Tax Park Bonds Series 2024**

Dated: September 1, 2024
Interest Accrues from: Date of Delivery
Due: September 1, as shown on inside cover

The $3,700,000 Unlimited Tax Bonds, Series 2024 (the "Series 2024 Bonds"), the $10,035,000 Unlimited Tax Road Bonds, Series 2024 (the "Series 2024 Road Bonds," and the $9,300,000 Unlimited Tax Park Bonds (the "Series 2024 Park Bonds" and collectively with the Series 2024 Bonds and the Series 2024 Road Bonds, the "Bonds"), are obligations of Harris-Waller Counties Municipal Utility District No. 5 (the "District") and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, 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; the City of Houston, 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 September 1, 2024 (the "Dated Date") and will accrue interest from the initial date of delivery, which is expected to be on or about September 26, 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 separate insurance policies to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.**

ASSURED GUARANTY

The Series 2024 Bonds are the third series of bonds issued out of an aggregate of $134,830,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring and/or constructing water, wastewater and drainage facilities (the "Utility System") and $40,449,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System. The Series 2024 Road Bonds are the second series of bonds issued out of an aggregate $127,245,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring and/or constructing a road system to serve the District (the "Road System") and $38,174,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. The Series 2024 Park Bonds are the first series of bonds issued out of an aggregate $49,780,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring and/or constructing parks and recreational facilities (the "Park System") and $14,934,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for acquiring or constructing the Park System. Following the issuance of the Bonds, $109,565,000 principal amount of unlimited tax bonds for the Utility System, $105,935,000 principal amount of unlimited tax bonds for the Road System, and $40,480,000 principal amount of unlimited tax bonds for the Park System will remain authorized but unissued. All the authorizations for the refunding bonds remain unissued.

The Bonds, when issued, will constitute valid and binding obligations of the District and the Series 2024 Bonds and the Series 2024 Park Bonds will be payable from the proceeds of a continuing direct annual ad valorem tax, and the Series 2024 Road Bonds will be payable from a separate continuing direct annual ad valorem tax, each 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 certain investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision.

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the winning bidders for the Bonds (the "Initial Purchasers"), 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 September 26, 2024.

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

$3,700,000 Unlimited Tax Bonds, Series 2024

$2,955,000 Series 2024 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464E (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464E (b)
2026	$ 85,000	6.000%	3.350%	DD1	***	***	***	***	***
2027	85,000	6.000%	3.350%	DE9	2039 (c)	$145,000	4.000%	4.050%	DS8
2028	90,000	5.625%	3.350%	DF6	2040 (c)	155,000	4.000%	4.100%	DT6
2029	95,000	5.000%	3.350%	DG4	2041 (c)	160,000	4.000%	4.140%	DU3
2030	100,000	5.000%	3.400%	DH2	2042 (c)	165,000	4.000%	4.180%	DV1
2031 (c)	105,000	4.000%	3.450%	DJ8	2043 (c)	175,000	4.000%	4.220%	DW9
2032 (c)	110,000	4.000%	3.500%	DK5	2044 (c)	185,000	4.000%	4.240%	DX7
2033 (c)	110,000	4.000%	3.550%	DL3	2045 (c)	190,000	4.125%	4.260%	DY5
2034 (c)	115,000	4.000%	3.600%	DM1	2046 (c)	200,000	4.125%	4.280%	DZ2
2035 (c)	125,000	4.000%	3.700%	DN9	2047 (c)	210,000	4.125%	4.300%	EA6
2036 (c)	130,000	4.000%	3.800%	DP4	2048 (c)	220,000	4.125%	4.310%	EB4

$745,000 Series 2024 Term Bonds

$275,000 Series 2024 Term Bond Due September 1, 2038 (c)(d), Interest Rate: 4.000% (Price: $100.000) (a), CUSIP No. 41464E DR0 (b)

$470,000 Series 2024 Term Bond Due September 1, 2050 (c)(d), Interest Rate: 4.125% (Price: $96.218) (a), CUSIP No. 41464E ED0 (b)

$10,035,000 Unlimited Tax Road Bonds, Series 2024

$7,425,000 Series 2024 Road Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464E (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464E (b)
2026	$ 225,000	6.000%	3.350%	EE8	***	***	***	***	***
2027	235,000	6.000%	3.350%	EF5	2039 (c)	$400,000	4.000%	4.020%	ET5
2028	245,000	6.000%	3.350%	EG3	2040 (c)	415,000	4.000%	4.050%	EU2
2029	255,000	6.000%	3.350%	EH1	2041 (c)	435,000	4.000%	4.110%	EV0
2030	270,000	6.000%	3.400%	EJ7	2042 (c)	455,000	4.000%	4.160%	EW8
2031 (c)	280,000	4.000%	3.450%	EK4	2043 (c)	475,000	4.000%	4.210%	EX6
2032 (c)	295,000	4.000%	3.550%	EL2	2044 (c)	495,000	4.000%	4.260%	EY4
2033 (c)	305,000	4.000%	3.600%	EM0	2045 (c)	520,000	4.000%	4.300%	EZ1
2034 (c)	320,000	4.000%	3.650%	EN8	2046 (c)	545,000	4.000%	4.320%	FA5
2035 (c)	335,000	4.000%	3.750%	EP3	2047 (c)	570,000	4.000%	4.340%	FB3
2036 (c)	350,000	4.000%	3.850%	EQ1					

$2,610,000 Series 2024 Road Term Bonds

$745,000 Series 2024 Road Term Bond Due September 1, 2038 (c)(d), Interest Rate: 4.000% (Price: $100.000) (a), CUSIP No. 41464E ES7 (b)

$1,865,000 Series 2024 Road Term Bond Due September 1, 2050 (c)(d), Interest Rate: 4.000% (Price: $92.390) (a), CUSIP No. 41464E FE7 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers (defined below). 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 amounts set forth under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

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

$9,300,000 Unlimited Tax Park Bonds, Series 2024

$5,940,000 Series 2024 Park Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464E (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41464E (b)
2026	$ 210,000	6.500%	3.450%	FF4	2038 (c)	$ 355,000	4.000%	4.000%	FT4
2027	220,000	6.500%	3.450%	FG2	2039 (c)	370,000	4.000%	4.050%	FU1
2028	225,000	6.500%	3.450%	FH0	2040 (c)	385,000	4.000%	4.120%	FV9
2029	240,000	6.500%	3.450%	FJ6	2041 (c)	405,000	4.000%	4.160%	FW7
2030	250,000	6.000%	3.500%	FK3	2042 (c)	420,000	4.000%	4.200%	FX5
***	***	***	***	***	2043 (c)	440,000	4.000%	4.250%	FY3
2035 (c)	310,000	4.000%	3.800%	FQ0	2044 (c)	460,000	4.000%	4.300%	FZ0
2036 (c)	325,000	4.000%	3.880%	FR8	2045 (c)	480,000	4.000%	4.330%	GA4
2037 (c)	340,000	4.000%	3.950%	FS6	2046 (c)	505,000	4.000%	4.350%	GB2

$3,360,000 Series 2024 Park Term Bonds

$1,110,000 Series 2024 Park Term Bond Due September 1, 2034 (c)(d), Interest Rate: 4.000% (Price: $101.582) (a), CUSIP No. 41464E FP2 (b)

$1,075,000 Series 2024 Park Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.000% (Price: $94.114) (a), CUSIP No. 41464E GD8 (b)

$1,175,000 Series 2024 Park Term Bond Due September 1, 2050 (c)(d), Interest Rate: 4.000% (Price: $93.260) (a), CUSIP No. 41464E GF3 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers. 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 amounts set forth 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 Purchasers.

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.

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

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 Purchasers and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2024 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 "Series 2024 Bonds Initial Purchaser") to purchase the Series 2024 Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.000593% of the par value thereof, which resulted in a net effective interest rate of 4.289980%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Series 2024 Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by Raymond James & Associates, Inc. (the "Series 2024 Road Bonds Initial Purchaser") to purchase the Series 2024 Road Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.000000% of the par value thereof, which resulted in a net effective interest rate of 4.246272%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Series 2024 Park Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by UMB Bank, N.A. (the "Series 2024 Park Bonds Initial Purchaser") to purchase the Series 2024 Park Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.004461% of the par value thereof, which resulted in a net effective interest rate of 4.256798%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Throughout this Official Statement, the term "Initial Purchasers" refers to the Series 2024 Bonds Initial Purchaser in its capacity as purchaser of the Series 2024 Bonds, the Series 2024 Road Bonds Initial Purchaser in its capacity as purchaser of the Series 2024 Road Bonds, and the Series 2024 Park Bonds Initial Purchaser in its capacity as purchaser of the Series 2024 Park Bonds.

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchasers. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchasers.

Prices and Marketability

Subject to certain restrictions described in the Official Notices 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 Notices 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 Purchasers 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 PURCHASERS 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, Assured Guaranty Inc. ("AG") will issue separate Municipal Bond Insurance Policies for each series of Bonds (each a “Bond Insurance Policy" and collectively the “Bond Insurance Policies”). 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, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

On October 20, 2023, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook). On August 1, 2024, KBRA commented that, following the closing of the Merger, AG's insurance financial strength rating of "AA+" (stable outlook) remains unchanged.

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Capitalization of AG, AGM and Pro Forma Combined AG

	As of June 30, 2024 (dollars in millions)		
	AG (Actual)	**AGM (Actual)**	**AG (Pro Forma Combined)**
Policyholders' surplus	$1,649	$2,599	$3,960(1)
Contingency reserve	$421	$910	$1,331
Net unearned premium reserves and net deferred ceding commission income	$355	$2,078 (2)	$2,433(2)

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(1) Net of intercompany eliminations.

(2) Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM or pro forma combined AG, as applicable, and (ii) the net unearned premium reserves and net deferred ceding commissions of Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserves, and net unearned premium reserves and net deferred ceding commission income of AG, AGM, and the pro forma combined AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG and AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024).

All information relating to AG and AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG and AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE."

RATINGS

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Bond Insurance Policies by AG at the time of delivery on each series of 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 Bonds are expected to receive an insured rating of "A1" (stable outlook) from Moody's solely in reliance upon the issuance and delivery of the Bond Insurance Policies by AG at the time of delivery on each series of Bonds. Moody's has assigned an underlying rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings discussed above.

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. 5 (the "District"), a political subdivision of the State of Texas, is located in Harris and Waller Counties, Texas. See "THE DISTRICT."
The Bonds	The District's $3,700,000 Unlimited Tax Bonds, Series 2024 (the "Series 2024 Bonds"), $10,035,000 Unlimited Tax Road Bonds, Series 2024 (the "Series 2024 Road Bonds"), and $9,300,000 Unlimited Tax Park Bonds, Series 2024 (the "Series 2024 Park Bonds," and collectively with the Series 2024 Bonds and the Series 2024 Road Bonds, the "Bonds"), are dated September 1, 2024 (the "Dated Date"), and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the initial date of delivery, which is expected to be on or about September 26, 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 – *Optional Redemption*." The Series 2024 Bonds maturing on September 1, 2026, through September 1, 2036, both inclusive, and September 1, 2039, through September 1, 2048, both inclusive, are serial bonds. The Series 2024 Bonds maturing on September 1 in the years 2038 and 2050 are term bonds (the "Series 2024 Term Bonds") and are subject to mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*." The Series 2024 Road Bonds maturing on September 1, 2026, through September 1, 2036, both inclusive, and September 1, 2039, through September 1, 2047, both inclusive, are serial bonds. The Series 2024 Road Bonds maturing on September 1 in the years 2038 and 2050 are term bonds (the "Series 2024 Road Term Bonds") and are subject to mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*." The Series 2024 Park Bonds maturing on September 1, 2026, through September 1, 2030, both inclusive, and September 1, 2035, through September 1, 2046, both inclusive, are serial bonds. The Series 2024 Park Bonds maturing on September 1 in the years 2034, 2048, and 2050 are term bonds (the "Series 2024 Park Term Bonds") and are subject to mandatory sinking fund redemption

provisions as set forth 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 Series 2024 Bonds are issued pursuant to a resolution authorizing the issuance of the Series 2024 Bonds adopted by the District's Board of Directors (the "Series 2024 Bond Resolution"), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

The Series 2024 Road Bonds are issued pursuant to a resolution authorizing the issuance of the Series 2024 Road Bonds adopted by the District's Board of Directors (the "Series 2024 Road Bond Resolution"), Chapters 49 and 54, Texas Water Code, as amended, Article III, Section 52 of the Texas Constitution, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

The Series 2024 Park Bonds are issued pursuant to a resolution authorizing the issuance of the Series 2024 Park Bonds adopted by the District's Board of Directors (the "Series 2024 Park Bond Resolution," and together with the Series 2024 Bond Resolution and the Series 2024 Road Bond Resolution, the "Bond Resolutions"), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the TCEQ, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance."

Source of Payment.. Principal of and interest on the Series 2024 Bonds and the Series 2024 Park Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, and the Series 2024 Road Bonds are payable from a separate continuing direct annual ad valorem tax, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas; or any political subdivision or entity other than the District. See "THE BONDS – Source of Payment."

Payment Record.. The District has never defaulted on the timely payment of debt service due on its bonded indebtedness.

Short-Term Debt.. In connection with the Series 2024 Bonds, the District has issued its $1,980,000 System Bond Anticipation Note, Series 2023 (the "Utility System BAN"), dated December 21, 2023. The Utility System BAN accrues interest at a rate of 5.63% per year (computed on the basis of a 365-day or 366-day year, as applicable, for actual days elapsed) and matures on December 20, 2024. See "THE BONDS – Short-Term Debt."

In connection with the Series 2024 Park Bonds, the District has issued its $4,335,000 Park Bond Anticipation Note, Series 2023 (the "Park BAN"), dated December 21, 2023. The Park BAN accrues interest at a rate of 5.63% per year (computed on the basis of a 365-day or 366-day year, as applicable, for actual days elapsed) and matures on December 20, 2024. See "THE BONDS – Short-Term Debt."

Outstanding Bonds .... The District has previously issued two series of unlimited tax bonds for the Utility System (herein defined) and one series of unlimited tax bonds for the Road System (herein defined). As of the Date of Delivery of the Bonds, $32,655,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Use and Distribution of Series 2024 Bond Proceeds... Proceeds of the Series 2024 Bonds will be used to reimburse the Developers (hereinafter defined) for certain costs of constructing the Utility System, as shown herein under "THE BONDS—Use and Distribution of Series 2024 Bond Proceeds." Additionally, a portion of the proceeds of the Bonds will be used to redeem the Utility System BAN, the proceeds of which were used to reimburse the Developers for a portion of the costs to acquire or construct the Utility System. Additionally, proceeds from the sale of the Series 2024 Bonds will be used to pay for six (6) months of capitalized interest on the Series 2024 Bonds, developer interest, Utility System BAN interest, and costs associated with the issuance of the Series 2024 Bonds and the Utility System BAN.

Use and Distribution of Series 2024 Road Bond Proceeds.. Proceeds from the sale of the Series 2024 Road Bonds will be used by the District to reimburse the Developers for the costs of road improvements and related costs as set forth under "THE BONDS—Use and Distribution of Series 2024 Road Bond Proceeds." Additionally, proceeds from the sale of the Series 2024 Road Bonds will be used to pay for six (6) months of capitalized interest on the Series 2024 Road Bonds, developer interest, and costs associated with the issuance of the Series 2024 Road Bonds.

Use and Distribution of Series 2024 Park Bond Proceeds.. Proceeds of the Series 2024 Park Bonds will be used to reimburse the Developers for certain costs of constructing the Park System (herein defined), as shown herein under "THE BONDS—Use and Distribution of Series 2024 Park Bond Proceeds." Additionally, a portion of the proceeds of the Series 2024 Park Bonds will be used to redeem the Park BAN, the proceeds of which were used to reimburse the Developers for a portion of the costs to acquire or

	construct the Park System. Additionally, proceeds from the sale of the Series 2024 Park Bonds will be used to pay for six (6) months of capitalized interest on the Series 2024 Park Bonds, developer interest, Park BAN interest and costs associated with the issuance of the Series 2024 Park Bonds and the Park BAN.
Not Qualified Tax-Exempt Obligations	The Bonds are **not** "qualified tax-exempt obligations" for financial institutions.
Municipal Bond Insurance	ASSURED GUARANTY INC. ("AG"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (AG Insured): "AA" (stable outlook). Moody's Investors Service, Inc. ("Moody's") (AG Insured): "A1" (stable outlook). Moody's (Underlying): "Baa3." 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 created by an order adopted by Harris-Waller Counties Municipal Utility District No. 4 ("MUD 4") that divided the lands of MUD 4 into three resulting districts, including the creation of two new districts: the District and Waller County Municipal Utility District No. 37 ("MUD 37"). MUD 4 was created by House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the "Act"). Pursuant to the Act, MUD 4 adopted that Order Dividing District dated July 30, 2020, which resulted in the division of MUD 4 and the contemporaneous creation of the District and MUD 37. Upon such division and creation of the District, the District comprised approximately 486.36 acres. Due to one subsequent annexation, the District now contains approximately 489.32 acres. Approximately 375.84 acres in the District are situated within Waller County, Texas, and approximately 113.48 acres in the District are situated within Harris County, Texas. The District is located approximately 30 miles west of the central business district of the City of Houston, Texas. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, and within the boundaries of Katy Independent School District. The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution; and the Act. See "THE DISTRICT."
Sunterra	The District is part of the development of Sunterra, a master-planned community that consists of approximately 2,303.88 total acres comprised of five municipal utility districts: the District, MUD 4, MUD 37, Harris County Municipal Utility District No. 569 ("MUD 569"), and Waller County Municipal Utility District No. 35 ("MUD 35"). Development activity is currently ongoing in all five districts.

MUD 4, in its capacity as the "Regional District" for the Sunterra development, is the provider of regional water, wastewater, drainage facilities and regional arterial, collector, and thoroughfare roads ("Regional District Facilities") to the 2,303.88-acre service area ("Service Area") made up of lands within the District (489.32 acres), MUD 4 (140.29 acres), MUD 37 (410.07 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres).

The District, MUD 4, MUD 37, MUD 569, and MUD 35 (the "Participants") have each entered into a separate Contract for Financing, Operation, and Maintenance of Regional Facilities with the Regional District. By execution of such contract, each Participant, including the District, is obligated to make contract payments to the Regional District in an amount sufficient to pay its pro rata share, based on the appraised valuation of a Participant as a percentage of the total appraised valuation of all Participants, of debt service on bonds issued by the Regional District to finance Regional District Facilities. To date, the Regional District has issued four series of contract revenue bonds for financing Regional District Facilities as follows: $12,480,000 Contract Revenue Bonds, Series 2022, $10,400,000 Contract Revenue Road Bonds, Series 2022, $14,250,000 Contract Revenue Bonds, Series 2023 and $16,085,000 Contract Revenue Road Bonds, Series 2023. As of the Date of Delivery, all $53,215,000 principal amount of such prior issuances of bonds by the Regional District will remain outstanding. Additionally, the Regional District anticipates selling its $15,770,000 Contract Revenue Bonds, Series 2024, and its $16,395,000 Contract Revenue Road Bonds, Series 2024, in August 2024, with a closing date scheduled for September 26, 2024. See "THE BONDS – Issuance of Additional Debt" and "REGIONAL DISTRICT CONTRACT."

Development within the District.................... In the District, approximately 456.05 acres (1,643 lots) have been developed as the single-family residential subdivisions of Sunterra, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 17, 18, 19, 21, 26, 27, and 34. As of May 1, 2024, said subdivisions included approximately 1,311 completed homes (approximately 1,160 occupied and approximately 151 unoccupied), approximately 88 homes under construction, and approximately 244 vacant developed lots. Such 456.05 acres includes approximately 13.02 acres for collector roads and major thoroughfares; approximately 102.87 acres of reserves for detention ponds, landscaping, and utilities; approximately 10.23 acres for easements; and approximately 329.93 acres for developed lots and internal streets.

Development has been completed for all single-family lots in the District, and the twenty subdivisions referenced above include all the single-family lots on which homes have or will be constructed in the District. The remainder of the lands within the District include approximately 9.30 acres for collector roads and major thoroughfares and approximately 23.97 acres of reserves for an amenity center. See "DEVELOPMENT OF THE DISTRICT."

Developers.. Astro Sunterra, L.P., a Delaware limited partnership ("Astro Sunterra"), is the primary developer of land in the District. Astro Sunterra was established by Mr. Al Brende and Starwood Land Astro Venture LP as a special purpose entity for the purpose of developing land and marketing developed land within the District. Starwood Land Astro Venture LP has entered into a management agreement with the Land Tejas Companies, Ltd. for the purpose of managing the day-to-day development activities within the District. In addition, Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), is the developer of Sunterra, Sections 10, 12, and 13, HMH Sunterra Land, LLC, a Texas limited liability company ("HMH Sunterra"), is the developer of Sunterra, Sections 18 and 19, and ONML Villas at Sunterra, LLC, a Texas limited liability company ("ONML Villas"), is the developer of Sunterra, Section 21 within the District. Astro Sunterra, Pulte, HMH Sunterra, and ONML Villas are collectively referred to herein as the "Developers." See "THE DEVELOPERS."

Homebuilders within the District .... The homebuilders active within the District are Adams Homes, Anderson Homes, Ashton Woods Homes, Brightland Homes, CastleRock Communities, Centex Homes, Chesmar Homes, Colina Homes, D.R. Horton, Empire, Hamilton Thomas Homes, Highland Homes, HistoryMaker Homes, Lennar Homes, Perry Homes, Pulte Homes, Shea Homes, HMH Lifestyle Homes and Westin Homes. Prices of new homes being constructed within the District range from approximately $260,000 to $800,000 and range in size from approximately 1,400 to 3,800 square feet. See "THE DEVELOPERS – Homebuilders within the District."

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2024 Taxable Assessed Valuation	$ 479,167,120	(a)
Estimated Taxable Assessed Valuation as of May 1, 2024	$ 513,084,759	(b)
Direct Debt:		
The Outstanding Bonds (as of September 26, 2024)	$ 32,655,000	
The Bonds	$ 23,035,000	
Total	$ 55,690,000	
Estimated Overlapping Debt	$ 61,094,022	(c)
Total Direct and Estimated Overlapping Debt	$ 116,784,022	(c)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	11.62 %	
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	10.85 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	24.37 %	
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	22.76 %	
System Debt Service Fund Balance (as of July 18, 2024)	$ 1,337,211	(d)
Road System Debt Service Fund Balance (as of July 18, 2024)	$ 710,808	(e)
General Fund Balance (as of July 18, 2024)	$ 1,999,055	
System Capital Projects Fund Balance (as of July 18, 2024)	$ 476,824	
Road System Capital Projects Fund Balance (as of July 18, 2024)	$ 1,865	

(a) Represents the taxable assessed valuation as of January 1, 2024, of all taxable property in the District, as provided by the Waller County Appraisal District and the Harris Central Appraisal District. See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the Waller County Appraisal District and the Harris Central Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through May 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Includes the District's share of an aggregate of $53,215,000 principal amount of Contract Revenue Bonds and Contract Revenue Road Bonds previously issued by the Regional District plus $15,770,000 Contract Revenue Bonds, Series 2024 and the $16,395,000 Contract Revenue Road Bonds, Series 2024, which are anticipated to close on September 26, 2024. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement" and "REGIONAL DISTRICT CONTRACT."

(d) In addition to this amount, six (6) months of capitalized interest on the Series 2024 Bonds and six (6) months of capitalized interest on the Series 2024 Park Bonds will be deposited into the District's System Debt Service Fund upon closing and delivery of the Series 2024 Bonds and the Series 2024 Park Bonds. Neither Texas law, nor the Series 2024 Bond Resolution, or the Series 2024 Park Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund. Funds in the System Debt Service Fund are not available to pay debt service on bonds issued for the Road System such as the Series 2024 Road Bonds.

(e) In addition to this amount, six (6) months of capitalized interest on the Series 2024 Road Bonds will be deposited into the District's Road System Debt Service Fund upon closing and delivery of the Series 2024 Road Bonds. Neither Texas law nor the Series 2024 Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System or Park System, such as the Series 2024 Bonds or the Series 2024 Park Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2023 Tax Rate per $100 of Taxable Assessed Valuation			
Utility Debt Service	$	0.285	(a)
Road Debt Service		0.000	(a)
Contract		0.580	(b)
Maintenance and Operations		0.635	
Total	$	1.500	
Average Annual Debt Service Requirement (2025–2050)	$	3,614,282	(c)
Maximum Annual Debt Service Requirement (2049)	$	3,856,238	(c)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2025–2050) at 95% Tax Collections:			
Based on the 2024 Taxable Assessed Valuation	$	0.80	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	$	0.75	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2049) at 95% Tax Collections:			
Based on the 2024 Taxable Assessed Valuation	$	0.85	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	$	0.80	
Single-Family Homes (including 88 under construction) as of May 1, 2024		1,399	

(a) See “THE BONDS – Source of Payment.”

(b) The contract tax rate is levied for payments to the Regional District for the District’s share of debt service on Contract Revenue Bonds issued by the Regional District for Regional District Facilities. See “REGIONAL DISTRICT CONTRACT.”

(c) Requirements for debt service on the Outstanding Bonds and the Bonds combined. See “DISTRICT DEBT – Debt Service Requirement Schedule.”

HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 5

$3,700,000	**$10,035,000**	**$9,300,000**
Unlimited Tax Bonds	**Unlimited Tax Road Bonds**	**Unlimited Tax Park Bonds**
Series 2024	**Series 2024**	**Series 2024**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris-Waller Counties Municipal Utility District No. 5 (the "District") of its $3,700,000 Unlimited Tax Bonds, Series 2024 (the "Series 2024 Bonds"), $10,035,000 Unlimited Tax Road Bonds, Series 2024 (the "Series 2024 Road Bonds"), and $9,300,000 Unlimited Tax Park Bonds, Series 2024 (the "Series 2024 Park Bonds," and collectively with the Series 2024 Bonds and the Series 2024 Road Bonds, the "Bonds").

The Series 2024 Bonds are issued pursuant to a resolution authorizing the issuance of the Series 2024 Bonds (the "Series 2024 Bond Resolution") adopted by the District's Board of Directors (the "Board"), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the District on May 1, 2021, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

The Series 2024 Road 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 Series 2024 Road Bonds (the "Series 2024 Road Bond Resolution") adopted by the Board and an election held within the District on May 1, 2021.

The Series 2024 Park Bonds are issued pursuant to a resolution authorizing the issuance of the Series 2024 Park Bonds adopted by the Board (the "Series 2024 Park Bond Resolution," and together with the Series 2024 Bond Resolution and the Series 2024 Road Bond Resolution, the "Bond Resolutions"), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the TCEQ, an election held within the District on May 1, 2021, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

There follow in this Official Statement descriptions of the Bonds, the Developers (as herein defined), the Bond Resolutions 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, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication therefor.

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 Resolutions. Copies of the Bond Resolutions 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 September 1, 2024 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about September 26, 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 in 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 at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, 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 each series of the Bonds, 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 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.

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

Provision is made in the Bond Resolutions 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

The 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 series and 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 Redemption

The Series 2024 Bonds maturing on September 1 in the years 2038 and 2050 are term bonds (the "Series 2024 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 Series 2024 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:

$275,000 Series 2024 Term Bonds Maturing on September 1, 2038

Mandatory Redemption Date	Principal Amount
September 1, 2037	$ 135,000
September 1, 2038 (Maturity)	$ 140,000

$470,000 Series 2024 Term Bonds Maturing on September 1, 2050

Mandatory Redemption Date	Principal Amount
September 1, 2049	$ 230,000
September 1, 2050 (Maturity)	$ 240,000

The Series 2024 Road Bonds maturing on September 1 in the years 2038 and 2050 are term bonds (the "Series 2024 Road 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 Series 2024 Road Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

$745,000 Series 2024 Road Term Bonds Maturing on September 1, 2038

Mandatory Redemption Date	Principal Amount
September 1, 2037	$ 365,000
September 1, 2038 (Maturity)	$ 380,000

$1,865,000 Series 2024 Road Term Bonds Maturing on September 1, 2050

Mandatory Redemption Date	Principal Amount
September 1, 2048	$ 595,000
September 1, 2049	$ 620,000
September 1, 2050 (Maturity)	$ 650,000

The Series 2024 Park Bonds maturing on September 1 in the years 2034, 2048, and 2050 are term bonds (the "Series 2024 Park Term Bonds" and together with the Series 2024 Term Bonds and the Series 2024 Road 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 Series 2024 Park Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

$1,110,000 Series 2024 Park Term Bonds Maturing on September 1, 2034

Mandatory Redemption Date	Principal Amount
September 1, 2031	$ 260,000
September 1, 2032	$ 270,000
September 1, 2033	$ 285,000
September 1, 2034 (Maturity)	$ 295,000

$1,075,000 Series 2024 Park Term Bonds Maturing on September 1, 2048	
Mandatory Redemption Date	Principal Amount
September 1, 2047	$ 525,000
September 1, 2048 (Maturity)	$ 550,000

$1,175,000 Series 2024 Park Term Bonds Maturing on September 1, 2050	
Mandatory Redemption Date	Principal Amount
September 1, 2049	$ 575,000
September 1, 2050 (Maturity)	$ 600,000

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

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.

Authority for Issuance

The Series 2024 Bonds are issued pursuant to the Series 2024 Bond Resolution, Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the TCEQ, an election held within the District on May 1, 2021, and the general laws of the State of Texas.

The Series 2024 Road 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, the Series 2024 Road Bond Resolution and an election held within the District on May 1, 2021.

The Series 2024 Park Bonds are issued pursuant to the Series 2024 Park Bond Resolution, Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the TCEQ, an election held within the District on May 1, 2021, and the general laws of the State of Texas.

Issuance of Additional Debt

At an election held within the District on May 1, 2021, voters of the District authorized the District's issuance of the following: $134,830,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities (the "Utility System"); $40,449,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $127,245,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities (the "Road System"); $38,174,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; $49,780,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities (the "Park System") in the District; and $14,934,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for acquiring or constructing the Park System.

The Series 2024 Bonds represent the District's third issuance of unlimited tax bonds issued for Utility System purposes; the Series 2024 Road Bonds represent the District's second issuance of unlimited tax bonds issued for Road System purposes; and the Series 2024 Park Bonds represent the District's first issuance of unlimited tax bonds issued for Park System purposes. After the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $109,565,000 for the purpose of acquiring or constructing the Utility System; $40,449,000 for the purpose of refunding bonds issued by the District for the Utility System; $105,935,000 for the purpose of acquiring or constructing the Road System; $38,174,000 for the purpose of refunding bonds issued by the District for the Road System; $40,480,000 for the purpose of acquiring or constructing the Park System and $14,934,000 for the purpose of refunding bonds issued by the District for acquiring or constructing the Park System.

The District is also authorized by statute to engage in fire-fighting 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 Board of Directors has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue park bonds payable from taxes, the following actions are 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. The District has not considered the preparation of an additional parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District.

Outstanding Bonds

The District has previously issued two series of unlimited tax bonds for the Utility System and one series of unlimited tax bonds for the Road System. As of the Date of Delivery of the Bonds, $32,655,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Source of Payment

Principal of and interest on the Series 2024 Bonds and the Series 2024 Park Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, and the Series 2024 Road Bonds are payable from a separate continuing direct annual ad valorem tax, each without legal limitation as to rate or amount, levied against all taxable property within the District. In the Bond Resolutions, 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/Registrar fees, and fees of the Appraisal Districts (the "Appraisal Districts"). Tax proceeds collected to pay debt service on bonds issued for the Utility System or the Park System, after deduction for collection costs, will be placed in the System Debt Service Fund (herein defined) and used solely to pay principal of and interest on the Series 2024 Bonds, the Series 2024 Park Bonds, and any additional bonds payable from taxes which may be issued for the Utility System or the Park System, and to pay fees of the Paying Agent/Registrar. Amounts on deposit in the System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Series 2024 Road Bonds. Tax proceeds collected to pay debt service on bonds issued for the Road System, after deduction for collection costs, will be placed in the Road System Debt Service Fund (herein defined) and used solely to pay principal of and interest on the Series 2024 Road Bonds, any additional bonds payable from taxes which may be issued for the Road System, and fees of the Paying Agent/Registrar. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System or Park System, including the Series 2024 Bonds and the Series 2024 Park Bonds.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Harris County, Texas; Waller County, Texas; the City of Houston, Texas (the "City"); or any entity other than the District.

Short-Term Debt

In connection with the Series 2024 Bonds, the District has issued its $1,980,000 System Bond Anticipation Note, Series 2023 (the "Utility System BAN"), dated December 21, 2023. The Utility System BAN accrues interest at a rate of 5.63% per year (computed on the basis of a 365-day or 366-day year, as applicable, for actual days elapsed) and matures on December 20, 2024.

In connection with the Series 2024 Park Bonds, the District has issued its $4,335,000 Park Bond Anticipation Note, Series 2023 (the "Park BAN"), dated December 21, 2023. The Park BAN accrues interest at a rate of 5.63% per year (computed on the basis of a 365-day or 366-day year, as applicable, for actual days elapsed) and matures on December 20, 2024.

Funds

The Series 2024 Bond Resolution and the Series 2024 Park Bond Resolution confirms the District's fund for payment of debt service on the Outstanding Bonds issued for the Utility System, the Series 2024 Bonds and the Series 2024 Park Bond, and any additional unlimited tax bonds that the District may hereafter issue for the Utility System or the Park System (the "System Debt Service Fund"). Six (6) months of capitalized interest on the Series 2024 Bonds will be deposited from the proceeds of the Series 2024 Bonds into the System Debt Service Fund and six (6) months of capitalized interest on the Series 2024 Park Bonds will be deposited from the proceeds of the Series 2024 Park Bonds into the System Debt Service Fund. The System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Utility System, the Series 2024 Bonds, the Series 2024 Park Bonds, and any additional unlimited tax bonds issued by the District for the Utility System or the Park 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 Outstanding Bonds issued for the Utility System, the Series 2024 Bonds, the Series 2024 Park Bonds, and any of the District's other duly authorized bonds issued for the Utility System or the Park System that are payable in whole or in part from taxes.

Amounts on deposit in the System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Series 2024 Bonds and the Series 2024 Park Bonds and any additional bonds for the Utility System or the Park System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Amounts on deposit in the System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Series 2024 Road Bonds.

The Series 2024 Road Bond Resolution confirms the District's fund for payment of debt service on the Series 2024 Road Bonds, the Outstanding Bonds issued for the Road System, and any additional unlimited tax bonds that the District may hereafter issue for the Road System (the "Road System Debt Service Fund"). Six (6) months of capitalized interest on the Series 2024 Road Bonds will be deposited from the proceeds of the Series 2024 Road Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Road System, the Series 2024 Road 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 Outstanding Bonds issued for the Road System, the Series 2024 Road 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.

Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds issued for the Road System, the Series 2024 Road Bonds and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System or the Park System, including the Series 2024 Bonds and the Series 2024 Park Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction ("ETJ") of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement ("SPA") between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District does not currently have a SPA with the City.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

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.

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.

Continuing Compliance with Certain Covenants

The Bond Resolutions contain 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."

Defeasance

The Bond Resolutions provide 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.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolutions provide 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 Resolutions into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolutions, 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 Resolutions do 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.

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Use and Distribution of Series 2024 Bond Proceeds

Proceeds of the Series 2024 Bonds will be used to reimburse the Developers for certain costs of constructing the Utility System, as shown below. Additionally, a portion of the proceeds of the Series 2024 Bonds will be used to redeem the Utility System BAN, the proceeds of which were used to reimburse the Developers for a portion of the costs to acquire or construct the Utility System. Additionally, proceeds from the sale of the Series 2024 Bonds will be used to pay for six (6) months of capitalized interest on the Series 2024 Bonds, developer interest, Utility System BAN Interest and costs associated with the issuance of the Series 2024 Bonds and the Utility System BAN. Total may not sum due to rounding.

Construction Costs	District's Share
A. Developer Contribution Items	
1. Sunterra Section 26 WSD – Entrance	$ 48,042
2. Sunterra Section 27 – Drainage	16,450
3. Sunterra Section 18, 19 – W, WW, & D	768,557
4. Sunterra Section 21 – W, WW, & D	1,352,157
9. Engineering (Item 1-4)	584,389
Total Developer Contribution Items	$ 2,769,595
B. District Contribution Items	
None	$ 0
Total District Contribution Items	$ 0
Total Construction Costs	$ 2,769,595
Non-Construction Costs	
A. Legal Fees	$ 107,500
B. Fiscal Agent Fees	74,000
C. Interest	
1. Capitalized Interest	78,213
2. Developer Interest	277,716
3. BAN Interest	85,514
D. Bond Discount	110,978
E. Bond Application Report Costs	33,000
F. Bond Issuance Expense	43,380
G. Bond Anticipation Note Expenses	51,284
H. Attorney General Fee (0.10% or a maximum of $9,500)	3,700
I. TCEQ Bond Issuance Fee (0.25%)	9,250
J. Contingency (a)	55,870
Total Non-Construction Costs	$ 930,405
TOTAL BOND ISSUE REQUIREMENT	**$ 3,700,000**

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

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

Use and Distribution of Series 2024 Road Bond Proceeds

Proceeds from the sale of the Series 2024 Road Bonds will be used by the District to reimburse the Developers for the costs of road improvements and related costs as set forth below. Additionally, proceeds from the sale of the Series 2024 Road Bonds will be used to pay for six (6) months of capitalized interest on the Series 2024 Road Bonds, developer interest, and costs associated with the issuance of the Series 2024 Road Bonds. Total may not sum due to rounding.

Construction Costs	District's Share
A. District Items	
1. Sunterra, Sections 26 – Paving	$ 316,102
2. Sunterra, Sections 27 – Paving	1,479,641
3. Sunterra, Sections 34 – Paving	896,194
4. Sunterra, Section 27 – Paving - Driveway	21,541
5. Sunterra, Section 8 & 9 – Paving	20,732
6. Sunterra, Section 10 – Paving	718,755
7. Sunterra, Section 18 & 19 – Paving	400,249
8. Land Cost of Right of Way	4,796,402
Total Construction Costs	$ 8,649,614
Non-Construction Costs	
A. Legal Fees	$ 240,700
B. Fiscal Agent Fees	200,700
C. Interest	
1. Capitalized Interest	213,000
2. Developer Interest	352,691
D. Bond Discount	301,050
E. Bond Issuance Expense	34,457
F. Engineering Fees	20,500
G. Attorney General Fee (0.10% or a maximum of $9,500)	9,500
H. Contingency (a)	12,788
Total Non-Construction Costs	$ 1,385,386
TOTAL BOND ISSUE REQUIREMENT	**$ 10,035,000**

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

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Use and Distribution of Series 2024 Park Bond Proceeds

Proceeds of the Series 2024 Park Bonds will be used to reimburse the Developers for certain costs of constructing the Park System, as shown below. Additionally, a portion of the proceeds of the Series 2024 Park Bonds will be used to redeem the Park BAN, the proceeds of which were used to reimburse the Developers for a portion of the costs to acquire or construct the Park System. Additionally, proceeds from the sale of the Series 2024 Park Bonds will be used to pay for six (6) months of capitalized interest on the Series 2024 Park Bonds, developer interest, Park BAN Interest and costs associated with the issuance of the Series 2024 Park Bonds and the Park BAN. Total may not sum due to rounding.

Construction Costs	District's Share
A. Developer Contribution Items	
1. Sunterra Section 1-4 – Hardscape	$ 70,665
2. Sunterra Section 1-4 – Neighborhood Park & Development	372,333
3. Sunterra Section 5-9 & 11 – Hardscape	441,952
4. Sunterra Section 5-7 & 11 – Neighborhood Park & Development	1,167,231
5. Sunterra Section 8 & 9 – Landscape & Irrigation	672,473
6. Sunterra Section 10 – Hardscape	67,600
7. Sunterra Section 10 – Landscape & Irrigation	155,033
8. Sunterra Section 12 & 13 – Hardscape, Landscape & Irrigation	880,753
9. Sunterra Section 17 & 20 – Hardscape, Landscape & Irrigation	1,271,629
10. Sunterra Section 21 – Hardscape, Landscape & Irrigation	680,000
11. Sunterra Section 26 – Hardscape, Landscape & Irrigation	242,293
12. Sunterra Section 27 – Hardscape, Landscape & Irrigation	973,626
13. Sunterra Section 34 – Hardscape, Landscape & Irrigation	121,896
14. Engineering (Items 1-13)	303,379
Total Developer Contribution Items	$ 7,420,863
B. District Contribution Items	
None	$ 0
Total District Contribution Items	$ 0
Total Construction Costs	$ 7,420,863
Non-Construction Costs	
A. Legal Fees	$ 226,000
B. Fiscal Agent Fees	186,000
C. Interest	
1. Capitalized Interest	199,687
2. Developer Interest	463,038
3. BAN Interest	187,225
D. Bond Discount	278,585
E. Bond Application Report Costs	33,000
F. Bond Issuance Expense	43,525
G. Bond Anticipation Note Expenses	97,811
H. Attorney General Fee (0.10% or a maximum of $9,500)	9,300
I. TCEQ Bond Issuance Fee (0.25%)	23,250
J. Contingency (a)	131,716
Total Non-Construction Costs	$ 1,879,137
TOTAL BOND ISSUE REQUIREMENT	**$ 9,300,000**

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

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

THE DISTRICT

Authority

The District was created by an order adopted by Harris-Waller Counties Municipal Utility District No. 4 ("MUD 4") dated July 30, 2020, that divided the lands of MUD 4 into three resulting districts, including the creation of two new districts: the District and Waller County Municipal Utility District No. 37 ("MUD 37").

MUD 4 was created by House Bill No. 4520, an act of the 86th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the "Act"). Pursuant to the Act, MUD 4 adopted that Order Dividing District, which resulted in the division of MUD 4 and the contemporaneous creation of the District and MUD 37.

The District operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI of the Texas Constitution and is authorized to construct and finance road projects as provided under Section 52, Article III of the Texas Constitution.

The District is empowered, among other things, to purchase, construct and maintain roads in the District, and 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 also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Description

Upon the division of MUD 4 and the creation of the District, the District comprised approximately 486.36 acres. Due to one subsequent annexation, the District now contains approximately 489.32 acres. Approximately 375.84 acres in the District are situated within Waller County, Texas, and approximately 113.48 acres in the District are situated within Harris County, Texas. The District is located approximately 30 miles west of the central business district of the City of Houston, Texas. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, and within the boundaries of Katy Independent School District.

The District is part of the development of Sunterra, a master-planned community that consists of approximately 2,303.88 total acres comprised of five municipal utility districts: the District, MUD 4, MUD 37, Harris County Municipal Utility District No. 569 ("MUD 569"), and Waller County Municipal Utility District No. 35 ("MUD 35"). Development activity is currently ongoing in all five districts.

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 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:

Name	Title	Term Expires May
Richard Jenks	President	2028
Chelsea Taylor	Vice President	2028
Olga M. Strong	Secretary	2028
Wes Simon	Assistant Vice President	2026
Cindy Morrow	Assistant Secretary	2026

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 "Investment 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 Investment 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 Bob Leared Interests.

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

Utility System Operator: Municipal District Services, LLC is the operator of the Utility System.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended April 30, 2024, which audited financial statements are attached hereto as "APPENDIX A."

Engineer: The District's engineer is Quiddity Engineering, LLC. (the "Engineer").

Attorney: 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.

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General Fund Operating Statement

The following is a summary of the District's operating fund activity. The summary below has been prepared for inclusion herein 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" for the District's audited financial statements for the fiscal year ended April 30, 2024.

	Fiscal Year Ended April 30,			
	2024	2023	2022	2021
Revenues				
Water Service	$ 1,259,073	$ 741,594	$ 27,381	$ –
Sewer Service	642,609	351,303	9,520	–
Property Taxes	2,252,131	534,350	156,797	–
Penalties and Interest	45,609	31,619	1,569	–
Tap Connection and Inspection	976,199	1,211,705	952,845	–
Miscellaneous	18,735	20,441	340	–
Investment Earnings	47,095	8,815	93	13
Total Revenues	$ 5,241,451	$ 2,899,827	$ 1,148,545	$ 13
Expenditures				
Purchased Services	$ -	$ –	$ 223,041	$ –
Professional Fees	166,474	86,762	95,630	155,968
Contracted Services	1,009,592	1,051,560	389,411	6,000
Repairs and Maintenance	322,739	173,423	20,587	–
Administrative	20,010	19,372	17,364	9,904
Capital Outlay	1,573	207,738	–	–
Master District Connection Fees	1,950,052	1,354,012	–	–
Maintenance Charges	284,586	150,925	–	–
Other	10,270	21,071	1,570	1,036
Total Expenditures	$ 3,765,278	$ 3,064,863	$ 747,603	$ 172,908
Revenues Excess (Deficiency)	$ 1,476,173	$ (165,036)	$ 400,942	$ (172,895)
Other Financing Sources				
Internal Transfers	$ -	$ –	$ 111,744	$ –
Operating Advances	-	208,769	25,000	51,250
Net Change in Fund Balance	$ 1,476,173	$ 43,733	$ 537,686	$ (121,645)
Fund Balance				
Beginning of the Year	$ 459,774	$ 416,041	$ (121,645)	$ –
End of the Year	$ 1,935,947	$ 459,774	$ 416,041	$ (121,645)

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DEVELOPMENT OF THE DISTRICT

In the District, approximately 456.05 acres (1,643 lots) have been developed as the single-family residential subdivisions of Sunterra, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 17, 18, 19, 21, 26, 27, and 34. As of May 1, 2024, said subdivisions included approximately 1,311 completed homes (approximately 1,160 occupied and approximately 151 unoccupied), approximately 88 homes under construction, and approximately 244 vacant developed lots. Such 456.05 acres includes approximately 13.02 acres for collector roads and major thoroughfares; approximately 102.87 acres of reserves for detention ponds, landscaping, and utilities; approximately 10.23 acres for easements; and approximately 329.93 acres for developed lots and internal streets.

Development has been completed for all single-family lots in the District, and the twenty subdivisions referenced above include all the single-family lots on which homes have or will be constructed in the District. The remainder of the lands within the District include approximately 9.30 acres for collector roads and major thoroughfares and approximately 23.97 acres of reserves for an amenity center.

Status of Development within the District

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

Subdivision	Section Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Sunterra, Section 1	30.07	63	61	0	2
Sunterra, Section 2	29.83	81	81	0	0
Sunterra, Section 3	18.88	87	87	0	0
Sunterra, Section 4	18.48	106	94	4	8
Sunterra, Section 5	38.49	73	73	0	0
Sunterra, Section 6	18.76	76	76	0	0
Sunterra, Section 7	19.57	72	69	3	0
Sunterra, Section 8	28.12	135	102	18	15
Sunterra, Section 9	18.10	100	100	0	0
Sunterra, Section 10	24.80	79	79	0	0
Sunterra, Section 11	2.90	11	9	0	2
Sunterra, Section 12	21.62	94	60	6	28
Sunterra, Section 13	26.39	126	105	13	8
Sunterra, Section 17	26.59	121	105	9	7
Sunterra, Section 18	10.86	48	21	7	20
Sunterra, Section 19	6.33	22	11	4	7
Sunterra, Section 21 (a)	47.46	114	114	0	0
Sunterra, Section 26 (b)	14.39	50	10	18	22
Sunterra, Section 27 (b)	32.20	83	0	0	83
Sunterra, Section 34	22.21	102	54	6	42
Totals	456.05	1,643	1,311	88	244

Single-Family Developed (c)	456.05
Recreational Facility Site	23.97
Major Thoroughfares	9.30
District Total	489.32

(a) Single-family homes in Section 21 are being constructed to serve as rental properties.
(b) Homes in Sections 26 and 27 are duplexes being constructed to serve as rental properties.
(c) Such 456.05 acres includes approximately 13.02 acres for collector roads and major thoroughfares; approximately 102.87 acres of reserves for detention ponds, landscaping, and utilities; approximately 10.23 acres for easements; and approximately 329.93 acres for developed lots and internal streets.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(July 2024)

THE DEVELOPERS

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 developers will be required to pay up to thirty percent of the cost of constructing certain of the 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.

Developers

The original developer in the District was Katy 1039, Ltd. (the "Original Developer"), a Texas limited partnership and single purpose entity created by Land Tejas Companies, Ltd. solely for the purpose of developing the land located within the District. The General Partner of the Original Developer is L.T. Management, Inc., whose president is Mr. Al P. Brende. Mr. Brende is also the President of Land Tejas Companies, Ltd.

In December 2021, the Original Developer sold its interest in the project located in the District to Astro Sunterra, L.P., a Delaware limited partnership ("Astro Sunterra"), which is the current primary developer of land in the District. Astro Sunterra was established by Mr. Al Brende and Starwood Land Astro Venture LP as a special purpose entity for the purpose of developing land and marketing developed land within the District. Starwood Land Astro Venture LP has entered into a management agreement with Land Tejas Companies, Ltd. for the purpose of managing the day-to-day development activities within the District.

In addition, Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte"), is the developer of Sunterra, Sections 10, 12, and 13 within the District. Pulte is affiliated with PulteGroup, Inc., which is publicly traded company on the New York Stock Exchange under the ticker symbol "PHM." For more information, visit www.pultegroupinc.com.

HMH Sunterra Land, LLC, a Texas limited liability company ("HMH Sunterra"), is the developer of Sunterra, Sections 18 and 19 within the District. ONML Villas at Sunterra, LLC, a Texas limited liability company ("ONML Villas"), is the developer of Sunterra, Section 21 within the District. HMH Sunterra and ONML Villas are affiliated with HistoryMaker Homes, a privately owned homebuilder active in the North Texas and Houston markets.

Astro Sunterra, Pulte, HMH Sunterra, and ONML Villas are collectively referred to herein as the "Developers."

Developer Financing

Astro Sunterra has obtained financing for a portion of the development of Sunterra through the Public Finance Authority of Wisconsin (the "PFA"). The PFA issued $164,990,000 Special Revenue Bonds, Series 2024 (the "PFA Bonds"), which are secured in part by the sale and assignment of Astro Sunterra's right to receive proceeds from the Bonds and the future sale of unlimited tax bonds issued by the District. According to Astro Sunterra, they are currently in compliance with all material representations and certifications made with respect to the PFA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law. See "INVESTMENT CONSIDERATIONS—Approval of the Bonds."

Homebuilders within the District

The homebuilders active within the District are Adams Homes, Anderson Homes, Ashton Woods Homes, Brightland Homes, CastleRock Communities, Centex Homes, Chesmar Homes, Colina Homes, D.R. Horton, Empire, Hamilton Thomas Homes, Highland Homes, HistoryMaker Homes, Lennar Homes, Perry Homes, Pulte Homes, Shea Homes, HMH Lifestyle Homes and Westin Homes. Prices of new homes being constructed within the District range from approximately $260,000 to $800,000 and range in size from approximately 1,400 to 3,800 square feet.

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DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements of the Outstanding Bonds, the principal and interest requirements of the Bonds, and the combined total annual debt service requirements of the Outstanding Bonds and the Bonds. Totals may not sum due to rounding.

		The Series 2024 Bonds		The Series 2024 Road Bonds		The Series 2024 Park Bonds		
Calendar Year	Outstanding Bonds	Principal	Interest	Principal	Interest	Principal	Interest	Total Debt Service
2025	$2,212,450	–	$ 145,562	$ -	$ 396,417	-	$ 371,641	$ 913,619
2026	2,209,150	$ 85,000	156,425	225,000	426,000	$ 210,000	399,375	3,714,250
2027	2,219,450	85,000	151,325	235,000	412,500	220,000	385,725	3,698,700
2028	2,212,650	90,000	146,225	245,000	398,400	225,000	371,425	3,695,500
2029	2,214,450	95,000	141,163	255,000	383,700	240,000	356,800	3,684,313
2030	2,219,050	100,000	136,413	270,000	368,400	250,000	341,200	3,680,463
2031	2,216,213	105,000	131,413	280,000	352,200	260,000	326,200	3,673,863
2032	2,221,188	110,000	127,213	295,000	341,000	270,000	315,800	3,675,225
2033	2,234,213	110,000	122,813	305,000	329,200	285,000	305,000	3,678,200
2034	2,234,125	115,000	118,413	320,000	317,000	295,000	293,600	3,693,225
2035	2,246,275	125,000	113,813	335,000	304,200	310,000	281,800	3,703,938
2036	2,250,725	130,000	108,813	350,000	290,800	325,000	269,400	3,720,288
2037	2,257,163	135,000	103,613	365,000	276,800	340,000	256,400	3,727,538
2038	2,260,288	140,000	98,213	380,000	262,200	355,000	242,800	3,735,375
2039	2,264,438	145,000	92,613	400,000	247,000	370,000	228,600	3,743,500
2040	2,270,588	155,000	86,813	415,000	231,000	385,000	213,800	3,751,050
2041	2,273,438	160,000	80,613	435,000	214,400	405,000	198,400	3,764,000
2042	2,283,038	165,000	74,213	455,000	197,000	420,000	182,200	3,766,850
2043	2,288,888	175,000	67,613	475,000	178,800	440,000	165,400	3,784,850
2044	2,295,988	185,000	60,613	495,000	159,800	460,000	147,800	3,797,100
2045	2,298,338	190,000	53,213	520,000	140,000	480,000	129,400	3,808,600
2046	2,306,700	200,000	45,375	545,000	119,200	505,000	110,200	3,823,113
2047	2,310,575	210,000	37,125	570,000	97,400	525,000	90,000	3,836,225
2048	2,314,050	220,000	28,463	595,000	74,600	550,000	69,000	3,847,638
2049	1,647,788	230,000	19,388	620,000	50,800	575,000	47,000	3,856,238
2050	2,212,450	240,000	9,900	650,000	26,000	600,000	24,000	3,197,688
Total	$55,761,213	$3,700,000	$2,457,350	$10,035,000	$ 6,594,817	$9,300,000	$6,122,966	$93,971,344

Average Annual Debt Service Requirement (2025–2050) $3,614,282

Maximum Annual Debt Service Requirement (2049) $3,856,238

Bonded Indebtedness

2024 Taxable Assessed Valuation	$ 479,167,120	(a)
Estimated Taxable Assessed Valuation as of May 1, 2024	$ 513,084,759	(b)
Direct Debt:		
The Outstanding Bonds (as of September 26, 2024)	$ 32,655,000	
The Bonds	$ 23,035,000	
Total	$ 55,690,000	
Estimated Overlapping Debt	$ 61,094,022	(c)
Total Direct and Estimated Overlapping Debt	$ 116,784,022	(c)
Direct Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	11.62	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	10.85	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Taxable Assessed Valuation	24.37	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	22.76	%
System Debt Service Fund Balance (as of July 18, 2024)	$ 1,337,211	(d)
Road System Debt Service Fund Balance (as of July 18, 2024)	$ 710,808	(e)
General Fund Balance (as of July 18, 2024)	$ 1,999,055	
System Capital Projects Fund Balance (as of July 18, 2024)	$ 476,824	
Road System Capital Projects Fund Balance (as of July 18, 2024)	$ 1,865	
2023 Tax Rate per $100 of Taxable Assessed Valuation		
Utility Debt Service	$ 0.285	(f)
Road Debt Service	0.000	(f)
Contract	0.580	(g)
Maintenance and Operations	0.635	
Total	$ 1.500	
Average Annual Debt Service Requirement (2025–2050)	$ 3,614,282	(h)
Maximum Annual Debt Service Requirement (2049)	$ 3,856,238	(h)
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2025–2050) at 95% Tax Collections:		
Based on the 2024 Taxable Assessed Valuation	$ 0.80	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	$ 0.75	
Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2049) at 95% Tax Collections:		
Based on the 2024 Taxable Assessed Valuation	$ 0.85	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	$ 0.80	
Single-Family Homes (including 88 under construction) as of May 1, 2024	1,399	

(a) Represents the taxable assessed valuation as of January 1, 2024, of all taxable property in the District, as provided by the Waller County Appraisal District and the Harris Central Appraisal District. See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the Waller County Appraisal District and the Harris Central Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through May 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) Includes the District's share of an aggregate of $53,215,000 principal amount of Contract Revenue Bonds and Contract Revenue Road Bonds previously issued by the Regional District plus $15,770,000 Contract Revenue Bonds, Series 2024 and the $16,395,000 Contract Revenue Road Bonds, Series 2024, which are anticipated to close on September 26, 2024. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement" and "REGIONAL DISTRICT CONTRACT."

(d) In addition to this amount, six (6) months of capitalized interest on the Series 2024 Bonds and six (6) months of capitalized interest on the Series 2024 Park Bonds, will be deposited into the District's System Debt Service Fund upon closing and delivery of the Series 2024 Bonds and the Series 2024 Park Bonds. Neither Texas law, nor the Series 2024 Bond Resolution, or the Series 2024 Park Bond Resolution requires that the District maintain any particular sum in the System Debt Service Fund. Funds in the System Debt Service Fund are not available to pay debt service on bonds issued for the Road System such as the Series 2024 Road Bonds.

(e) In addition to this amount, six (6) months of capitalized interest on the Series 2024 Road Bonds will be deposited into the District's Road System Debt Service Fund upon closing and delivery of the Series 2024 Road Bonds. Neither Texas law nor the Series 2024 Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System or Park System, such as the Series 2024 Bonds or the Series 2024 Park Bonds.

(f) See "THE BONDS – Source of Payment."

(g) The contract tax rate is composed of payments to the Regional District for the District's share of debt service on contract revenue bonds issued by the Regional District for Regional District Facilities. See "REGIONAL DISTRICT CONTRACT."

(h) Requirement debt service on the Outstanding Bonds and the Bonds combined. See "DISTRICT DEBT – Debt Service Requirement Schedule."

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.

Taxing Jurisdiction	Outstanding Debt June 30, 2024	Overlapping Percent	Overlapping Amount
Waller County	$ 67,875,000	3.22%	$ 2,187,420
Katy Independent School District	2,140,560,000	0.79%	16,838,713
Harris County	1,994,511,319	0.01%	287,234
Harris County Flood Control District	991,095,000	0.01%	142,730
Harris County Department of Education	28,960,000	0.01%	4,171
Harris County Hospital District	65,285,000	0.01%	9,402
Port of Houston Authority	426,134,397	0.01%	61,369
Harris-Waller Counties MUD No. 4 (a)	83,985,000	48.68%	41,562,984
Total Estimated Overlapping Debt			$ 61,094,022
The District (b)			$ 55,690,000
Total Direct & Estimated Overlapping Debt (b)			$116,784,022

(a) Includes an aggregate of $53,215,000 principal amount of Contract Revenue Bonds and Contract Revenue Road Bonds previously issued by the Regional District plus $15,770,000 Contract Revenue Bonds, Series 2024 and the $16,395,000 Contract Revenue Road Bonds, Series 2024, selling in August 2024, with a closing date scheduled for September 26, 2024. The District's 48.50% share of such debt is based on the District's 2023 Gross Certified Assessed Valuation as a percentage of the 2023 Gross Certified Assessed Valuation of the Service Area.

(b) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

Ratios of Direct Debt (a):	
As a percentage of the 2024 Taxable Assessed Valuation	11.62 %
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	10.85 %
Ratios of Direct and Estimated Overlapping Debt (a):	
As a percentage of the 2024 Taxable Assessed Valuation	24.37 %
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	22.76 %

(a) Includes the Bonds and the Outstanding 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 Outstanding Bonds, the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolutions 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 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 the Appraisal District. The Harris Central Appraisal District and the Waller County Appraisal District (collectively, the "Appraisal Districts") has the responsibility of appraising property for all taxing units within Harris County and Waller County, respectively, including the District. Such appraisal values will be subject to review and change by the Harris Central Appraisal Review Board and Waller County Appraisal Review Board (collectively, the "Appraisal Review Boards"). The appraisal roll, as approved by the Appraisal Review Boards, 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 2013 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 or Waller County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, Waller County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, neither Harris County nor Waller County has 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 Boards, 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 choose to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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 Tax Code, the Appraisal Districts are required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of two seperate continuing direct annual ad valorem taxes, each 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 the Bond Resolutions 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 "INVESTMENT CONSIDERATIONS"). For the 2023 tax year, the District levied a total tax rate of $1.50 per $100 assessed valuation made up as follows: a Utility tax of $0.285 for payment of debt service on the Outstanding Bonds issued for the Utility System and the Series 2024 Bonds and the Series 2024 Park Bonds, a contract tax of $0.58 for payment of the District's share of debt service on contract revenue bonds issued by the Regional District (herein defined), and a tax of $0.635 for maintenance and operations.

Tax Rate Limitation

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

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. See "Tax Rate Distribution" herein.

Road Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the Road System 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 for the Road System in an amount not to exceed $0.25 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. To date, the District has not levied a maintenance tax for the Road System. See "– Tax Rate Distribution" below.

Contract Tax

The District's obligation to pay its share of the costs of constructing and operating the Regional District Facilities is secured by the unlimited taxing power of the District. See "REGIONAL DISTRICT CONTRACT."

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.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 5/31/24
2021	$10,453,146	$1.50	$156,797	100.00%	2022	100.00%
2022	64,252,592	$1.50	963,789	99.35%	2023	99.99%
2023	358,137,790	$1.50	5,367,083	98.04%	2024	98.04%

(a) Tax rate per $100 of taxable value. See "Tax Rate Distribution" below.

Tax Rate Distribution

	2023	2022	2021
Utility Debt Service	$0.285	$0.220	$0.0000
Road Debt Service	$0.000	$0.000	$0.0000
Contract Tax	$0.580	$0.410	$0.0000
Maintenance and Operations	$0.635	$0.870	$1.5000
Total	$1.500	$1.5000	$1.5000

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Estimated Overlapping Taxes

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

	2023 Tax Rates	
Taxing Jurisdiction	Waller County (a)	Harris County (b)
The District	$1.500000	$1.500000
Waller County	0.498691	---
Waller County Road	0.024252	---
Brookshire Katy Drainage District	0.060420	---
Waller Harris Emergency Service District No. 200	0.086301	0.086301
Katy Independent School District	1.119400	1.119400
Harris County	---	0.350070
Harris County Flood Control District	---	0.031050
Harris County Department of Education	---	0.004800
Harris County Hospital District	---	0.143430
Port of Houston Authority	---	0.005740
Total Tax Rate	$3.289064	$3.240791

(a) Approximately 375.84 acres of the District's 489.32 total acres are located in Waller County, Texas.

(b) Approximately 113.48 acres of the District's 489.32 total acres are located in Harris County, Texas.

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 ($479,167,120) or the Estimated Taxable Assessed Valuation as of May 1, 2024 ($513,084,759). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2025–2050) $3,614,282
Debt Service Tax Rate of $0.80 on the 2024 Taxable Assessed Valuation Produces $3,641,670
Debt Service Tax Rate of $0.75 on the
Estimated Taxable Assessed Valuation as of May 1, 2024 produces $3,655,729

Maximum Annual Debt Service Requirement (2049) $3,856,238
Debt Service Tax Rate of $0.85 on the 2024 Taxable Assessed Valuation Produces $3,869,274
Debt Service Tax Rate of $0.80 on the
Estimated Taxable Assessed Valuation as of May 1, 2024 produces $3,899,444

Taxable Assessed Valuation Summary

The following represents the types of property comprising the District assessed taxable value for each of the 2021–2023 tax years.

Type of Property	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation
Land	$109,389,234	$55,871,227	$10,036,475
Improvements	262,715,530	8,733,418	440,490
Personal Property	2,555,290	277,369	75,854
Exemptions	(16,522,264)	(629,422)	(99,673)
Total	$358,137,790	$64,252,592	$10,036,475

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 as a percentage of the certified portion of the 2023 Certified Taxable Assessed Valuation of $358,137,790.

Taxpayer	Types of Property	Taxable Value 2023 Tax Roll (d)	Percent of District Value
Sunterra SFR Owner LLC (a)	Land	$12,140,570	3.39%
ONML Villas at Sunterra LLC (a) (b) (c)	Land & Improvements	9,503,447	2.65%
Pulte Homes of Texas LP (b) (c)	Land, Improvements & Personal	4,439,960	1.24%
Lennar Homes of Texas LP (c)	Land	4,220,835	1.18%
HMI Lifestyles LP (b) (c)	Land	3,180,340	0.89%
PR Asset LLC	Land	2,841,556	0.79%
Highland Homes Houston LLC (c)	Land	2,058,089	0.57%
Adams Homes Lone Star LLC (c)	Land, Improvements & Personal	1,474,260	0.41%
Homeowner	Land & Improvements	1,425,240	0.40%
Hamilton Thomas Houston I LLC (c)	Land, Improvements & Personal	1,257,692	0.35%
Totals		$42,541,989	11.88%

(a) Builder and owner of rental properties within the District. See "DEVELOPMENT OF THE DISTRICT" and "INVESTMENT CONSIDERATIONS – Rental Homes."

(b) See "THE DEVELOPERS – Developers."

(c) See "THE DEVELOPERS – Homebuilders within the District."

(d) Represents the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2023 tax year. As of the date hereof, certified appraisal rolls for the 2024 tax year have not yet been provided by the Harris Central Appraisal District.

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REGIONAL DISTRICT CONTRACT

Each of the Participants, including the District, has executed a separate Regional District Contract with the Regional District relating to the following facilities and services to be provided by the Regional District to the Service Area and obtained the approval of the Regional District Contract from voters at elections held within their respective boundaries: the Regional District water supply and distribution system, the Regional District wastewater collection and treatment system, and the Regional District storm water conveyance and detention facilities (collectively, the "Regional District Facilities").

The Regional District Contract provides that each Participant pay a pro rata share of debt service on contract revenue bonds issued by the Regional District to finance the Regional District Facilities based upon certified appraised valuation. The Participants are obligated to pay a pro rata share from the proceeds of a contract tax for such purpose, revenues derived from the operation of the water distribution system and wastewater collection system, or from any other legally available funds of each Participant. The Regional District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Regional District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Regional District is authorized to issue contract revenue bonds sufficient to finance the acquisition and construction of the Regional District Facilities. The pro rata share of each Participant, including the District, of the debt service requirements on contract revenue bonds is calculated annually and determined by dividing the Participant's Certified Gross Assessed Valuation by the cumulative total of the Certified Gross Assessed Valuation of all the Participants. The Regional District Contract obligates each Participant, including the District, to pay its pro rata share of debt service requirements on contract revenue bonds from the proceeds of the contract tax, unlimited as to rate or amount, or from any other legally available funds. Each Participant's payment will be calculated annually by the Regional District; however, the levy of a contract tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

Each Participant is obligated severally, but not jointly, to make contract payments to the Regional District in an amount sufficient to pay its debt service requirements on contract revenue bonds. To date, the Regional District has issued four series of contract revenue bonds for financing Regional District Facilities as follows: $12,480,000 Contract Revenue Bonds, Series 2022, $10,400,000 Contract Revenue Road Bonds, Series 2022 $16,085,000 Contract Revenue Road Bonds, Series 2023 and $14,250,000 Contract Revenue Bonds, Series 2023. All $53,215,000 principal amount of such bond issues remains outstanding. Additionally, the Regional District anticipates selling its $15,770,000 Contract Revenue Bonds, Series 2024, and its $16,395,000 Contract Revenue Road Bonds, Series 2024, which are scheduled to close on September 26, 2024.

The Regional District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Regional District fails to meet its obligations under the Regional District Contract to provide Regional District Facilities, each of the Participants, including the District, has the right to design, acquire, construct, or expand the Regional District Facilities needed to provide service to such district, and convey such Regional District Facilities to the Regional District in consideration of payment by the Regional District of the actual reasonable necessary capital costs expended by such district for such Regional District Facilities.

Each of the Participants, including the District, is further obligated to pay monthly charges for water and sewer services rendered pursuant to the Regional District Contract. The monthly charges will be used to pay the District's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses for water and wastewater services.

Each Participant's share of operation and maintenance expenses is based upon a "unit cost" of operation and maintenance expense for water and wastewater services, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Regional District for operation and maintenance expenses for water and wastewater services will be calculated by multiplying the number of equivalent single-family connections ("ESFCs") reserved to it.

Pursuant to the Regional District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Regional District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Regional District Contract. The Regional District does not expect that revenues from the Participants' wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of contract payments for application to debt service on the contract revenue bonds. All sums payable by each Participant to the Regional District pursuant to the Regional District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension, or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Regional District Contract provides that the Regional District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Regional District's facilities by such Participant in addition to the Regional District's other remedies pursuant to the Regional District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Regional District under the Regional District Contract. See "THE BONDS – Source of Payment."

THE UTILITY SYSTEM

Regulation

Construction and operation of the water, wastewater, and drainage facilities serving the District is subject to regulation by all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the United States Environmental Protection Agency, TCEQ, Harris County, Waller County, the City, and the Brookshire-Katy Drainage District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Wholesale Agreement for Water and Wastewater Service

On September 15, 2020, the Original Developer and Quadvest, L.P., a Texas Limited Partnership ("Quadvest"), entered into that Wholesale Agreement for Water and Wastewater Service (the "Wholesale Agreement") to provide water supply and wastewater treatment capacity to serve up to 3,000 ESFCs in Sunterra. On May 10, 2021, the Wholesale Agreement was assigned by the Original Developer to the Regional District and amended to provide for water supply and wastewater treatment capacity to serve up to 6,968 ESFCs in the Service Area. On August 18, 2022, a second amendment of the Wholesale Agreement was entered into by the parties.

Under the terms of the Wholesale Agreement, Quadvest is responsible for financing and constructing the water supply and wastewater treatment plants (the "Plant Facilities") to provide water and wastewater service to the Participants, including the District, via the Regional District. The Regional District and the Participants are responsible for financing and constructing the facilities to deliver water and wastewater service to customers within the Service Area. In exchange for constructing and operating the Plant Facilities, Quadvest has received or will receive the following:

a) Initial Payment – the Original Developer made an initial payment of $500,000 to Quadvest. Such payment will offset the final Capacity Payments (defined below).

b) Capacity Payments – Quadvest will receive $1,150 per platted lot (the "Capacity Payments"). The Capacity Payments are due the earlier of:

   a. Issuance of Regional District bond proceeds for such Capacity Payments; or

   b. Thirty-six (36) months following the recording of the plat for each section.

Source of Water Supply and Wastewater Treatment

The Participants, including the District, obtain water from the Regional District which obtains water from Quadvest, which holds Certificate of Convenience and Necessity No. 11612 for water according to the Wholesale Agreement.

Quadvest has completed construction of Water Plant No. 1 which consists of 2 water wells (approximately 1035 gpm); two (2) 352,500-gallon ground storage tanks; two (2) 15,000 gallon hydro-pnuematic tanks; and six (6) 1,200 gpm booster pumps. Quadvest is in the process of constructing Water Plant No. 3 and a water well to provide additional service to the Regional District. Water Plant No. 3 consists of one (1) water well (approximately 1,000-gpm of capacity); one (1)352,500-gallon ground storage tanks; one (1) 15,000-gallon hydro-pneumatic tanks; and three (3) 1,200-gpm booster pumps. The anticipated construction completion date of Water Plant No. 3 is December 2024.

The Participants, including the District, obtain wastewater capacity from the Regional District, which obtains wastewater treatment capacity from Quadvest through its Lakehouse Wastewater Treatment Facility. The TCEQ issued Quadvest a wastewater discharge permit for Lakehouse Wastewater Treatment Facility, dated August 12, 2022, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ0015101001), which expires on August 12, 2027. The Lakehouse Wastewater Treatment Facility is currently serving 499 ESFCs in the District and has the capacity to serve 1,000 ESFCs in the Service Area.

Quadvest is currently constructing the Sunterra Wastewater Treatment Plant Phase I which will have an average daily flow of 1,000,000 gpd. The TCEQ issued Quadvest a wastewater discharge permit for the Sunterra Wastewater Treatment Plant, dated May 20, 2022, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ0016041001), which expires on May 20, 2027. Upon completion, Sunterra Wastewater Treatment Plant Phase I will be capable of serving 4,000 ESFCs. The construction started in July 2023 with an anticipated completion in September 2024.

Quadvest is currently designing and constructing Water Plant No. 2 to provide additional service to the Regional District. Water Plant No. 2 will consist of two (2) water wells (approximately 1,000-gpm of capacity); and one (1) 750,000-gallon elevated storage tank. Water Plant No. 2 will the capacity to serve a total of 7,500 ESFCs in the Service Area. Currently, approximately 2,311 ESFCs are being served in the Service Area.

Quadvest is currently operating in Phase II of the permit. In Phase II, the final effluent average daily flow is limited to 250,000 gpd, with a maximum peak flow of 347 gpm during any two-hour period (2-hour peak). Currently, approximately 2,311 ESFCs are being served in the Service Area.

Quadvest is constructing the Sunterra Wastewater Treatment Plant Phase I which will have an average daily flow of 1,000,000 gpd. The TCEQ issued Quadvest a wastewater discharge permit for the Sunterra Wastewater Treatment Plant, dated May 20, 2022, authorizing the treatment and disposal from the facility (Texas Pollutant Discharge Elimination System Permit No. WQ0016041001), which expires on May 20, 2027. Construction of the Sunterra Wastewater Treatment Plant is projected to be complete in September of 2024. Upon completion, the wastewater facilities will have the total capacity 1,250,000 gpd (capable of serving 5,000 ESFCs at 250 gpd/ESFC).

Storm Drainage

The District is located within the Cane Island Branch. The District contains storm water detention basins that are designed in accordance with the Brookshire-Katy Drainage District and the City's standards. The basin systems have two separate outfall locations that discharge into Cane Island Branch and Snake Creek.

Prior to development, the land contained within the District's boundary naturally drained from northwest to southeast to the Cane Island Branch and the Clay Road roadside ditch. Cane Island Branch flows southernly and eventually the storm water enters Buffalo Bayou. All undeveloped land drains naturally to boundary swales and future detention areas that flow to Cane Island Branch. Storm water is conveyed through the storm sewers, into the detention system, then into Cane Island Branch, and from Cane Island Branch, the storm water enters Buffalo Bayou.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the "100-year flood plain", is depicted on these maps. The 100-year flood plain as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 133.3 acres within the District lie within the 100-year floodplain.

A Letter of Map Revision was submitted to FEMA for all sections of development in the District. On June 29, 2023, FEMA approved the Letter of Map Revision, and the maps became effective on November 20, 2023.

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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

THE ROAD SYSTEM

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within the Sunterra development and surrounding area. The major thoroughfares and collectors serving the District include Bartlett Road, Clay Road, Schlipf Road, and Sunterra Shores Drive. 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 Waller County, Texas as the phases are constructed and accepted by the County. The District does not intend to maintain or operate the roads once they are accepted by the County.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas; Harris County, Texas; Waller County, Texas; the City; or any political subdivision other than the District, will be secured by two separate continuing direct annual ad valorem taxes each, 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 Landowner/Developers: There is no commitment by or legal requirement 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 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," "THE DEVELOPERS" and "TAX DATA – Principal Taxpayers."

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 is $479,167,120 and the Estimated Taxable Assessed Valuation as of May 1, 2024 is $513,084,759. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $3,856,238 (2049) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be $3,614,282 (2025–2050).

Assuming no increase to nor decrease from the 2024 Taxable Assessed Valuation, tax rates of $0.85 and $0.80 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 May 1, 2024, tax rates of $0.80 and $0.75 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 2023 tax year, the District levied a total tax rate of $1.50 per $100 assessed valuation made up as follows: a tax of $0.285 for payment of debt service on the Outstanding Bonds issued for the Utility System and the Series 2024 Bonds and the Series 2024 Park Bonds, a contract tax of $0.58 for payment of the District's share of debt service on contract revenue bonds issued by the Regional District, and a tax of $0.635 for maintenance and operations. Upon closing and delivery of the Series 2024 Bonds, six (6) months of capitalized interest on the Series 2024 Bonds will be deposited into the District's System Debt Service Fund, and six (6) months of capitalized interest on the Series 2024 Park Bonds will be deposited into the District's System Debt Service Fund. Upon closing and delivery of the Series 2024 Road Bonds, six (6) months of capitalized interest on the Series 2024 Road Bonds will be deposited into the District's Road System Debt Service Fund.

Dependence on Major Taxpayers and the Developers

The top ten principal taxpayers within the District represent $42,541,989, or 11.88%, of the 2023 Certified Assessed Valuation and represents ownership as of January 1, 2023. The Developers represent $17,123,747, or 4.78%, of the 2023 Certified Assessed Valuation. If the Developers or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the amount in the System Debt Service Fund or the Road System Debt Service Fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate their tax liens, which is a time-consuming process. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its System Debt Service Fund or Road System Debt Service Fund. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations," and "TAXING PROCEDURES – Levy and Collection of Taxes."

Neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers or any other landowner. See "THE DEVELOPERS."

Competitive Nature of Residential Housing Market

The housing industry in the Houston 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.

Rental Homes

The homes constructed in Sunterra, Section 21, (approximately 114 completed homes) have been constructed by ONML Villas as rental properties. It is anticipated that ONML Villas will continue to own all of the homes constructed in ONML Villas and will continue to be principal taxpayers. On the 2023 certified tax roll, such taxpayers represent a total of $9,503,447 or 2.65% of the 2023 Certified Taxable Assessed Valuation of $358,137,790. See "TAX DATA—Principal Taxpayers."

ONML Villas as the owner of the homes in Sunterra, Section 21, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

The homes constructed in Sunterra, Section 26 and 27, (approximately 133 lots) are owned by Sunterra SFR Owner LLC as rental properties. It is anticipated that Sunterra SFR Owner LLC will continue to own all of the homes in Section 26 and 27 and will continue to be principal taxpayers. On the 2023 certified tax roll, such taxpayers represent a total of $12,140,570 or 3.39% of the 2023 Certified Taxable Assessed Valuation of $358,137,790. See "TAX DATA—Principal Taxpayers."

Sunterra SFR Owner LLC as the owner of the homes in Sunterra, Section 26 and 27, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

The percent of ownership is based off the 2023 certified tax roll and will change once the 2024 certified tax roll is available.

Vacant and Under Construction Lots

As of May 1, 2024, there were 244 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."

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 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 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 (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolutions 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.

Bankruptcy Limitation to Registered Owners' Rights

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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 further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. 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.

Future Debt

District Bonds

At an election held within the District on May 1, 2021, voters of the District authorized the District's issuance of $134,830,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing facilities for the Utility System; $127,245,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and $49,780,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System. The Series 2024 Bonds represent the District's third issuance of unlimited tax bonds issued for Utility System purposes; the Series 2024 Road Bonds represent the District's second issuance of unlimited tax bonds issued for Road System purposes; and the Series 2024 Park Bonds represent the District's first issuance of unlimited tax bonds issued for Park System purposes. After the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $109,565,000 for the purpose of acquiring or constructing the Utility System; $105,935,000 for the purpose of acquiring or constructing the Road System; and $40,480,000 for the purpose of acquiring or constructing the Park System in the District.

At such election held on May 1, 2021, voters of the District also authorized the District's issuance of the following: $40,449,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; $38,174,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; and $14,934,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for acquiring or constructing the Park System. To date, the District has issued no refunding bonds from such voted authorizations.

In the Bond Resolutions, the District reserves the right to issue the authorized but unissued bonds noted above and any additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions having been authorized by the voters of the District, may be issued by the District from time to time as needed.

The District's issuance of bonds for the purpose of acquiring or constructing the Utility System and for acquiring or constructing the Park System is subject to approval by the TCEQ. Further, the principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's assessed value; however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of taxable property in the District.

Following reimbursement to the Developers with the proceeds of the Bonds, the District will owe the Developers approximately $11,000,000 for expenditures to construct the Utility System, Road System, and the 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.

Regional District Bonds

The District is part of the development of Sunterra, a master-planned community that consists of approximately 2,303.88 total acres comprised of five municipal utility districts: the District, MUD 4, MUD 37, MUD 569, and MUD 35.

MUD 4, in its capacity as the "Regional District" for the Sunterra development, is the provider of regional water, wastewater, drainage facilities and regional arterial, collector, and thoroughfare roads ("Regional District Facilities") to the 2,303.88-acre service area ("Service Area") made up of lands within the District (489.32 acres), MUD 4 (140.29 acres), MUD 37 (410.07 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres).

The District, MUD 4, MUD 37, MUD 569, and MUD 35 (the "Participants") have each entered into a Contract for Financing, Operation, and Maintenance of Regional Facilities with the Regional District (the "Regional District Contract"). Among other terms and provisions, the Regional District Contract authorizes the Regional District to issue contract revenue bonds sufficient to complete the acquisition and construction of the Regional District Facilities required to serve the Service Area. By execution of the Regional District Contract, each Participant, including the District, is obligated to make contract payments to the Regional District in an amount sufficient to pay its pro rata share, which share is based upon the appraised valuation subject to taxation plus amounts equal to any optional exemption or special appraisal value granted or adopted by a Participant, and any optional exemption or special value claimed by a landowner due to use for agricultural, open space, timberland, or other similar uses (the "Gross Certified Assessed Valuation") of each Participant as a percentage of the Gross Certified Assessed Valuation of all Participants, of debt service on bonds issued by the Regional District to finance Regional District Facilities. No Participant is liable for the payments owed by any other Participant; however, failure of any Participant to make its Contract Payment, as required by the Regional District Contract, could result in an increase in the Contract Payment amount paid by each of the Participants during the time that such Participant's payment is delinquent, as the Participants would have to replenish its respective coverage in the Regional District debt service fund.

To date, the Regional District has issued four series of contract revenue bonds for financing Regional District Facilities as follows: $12,480,000 Contract Revenue Bonds, Series 2022, $10,400,000 Contract Revenue Road Bonds, Series 2022, $14,250,000 Contract Revenue Bonds, Series 2023 and $16,085,000 Contract Revenue Road Bonds, Series 2023. All $53,215,000 principal amount of such bond issues remains outstanding. Additionally, the Regional District anticipates issuing its $15,770,000 Contract Revenue Bonds, Series 2024, and its $16,395,000 Contract Revenue Road Bonds, Series 2024, which are anticipated to close on September 26, 2024. See "REGIONAL DISTRICT CONTRACT" herein for further information.

Currently, the Regional District owes Astro Sunterra approximately $73,610,000 for reimbursable expenditures made by Astro Sunterra to construct the Regional District Facilities. See "THE BONDS – Issuance of Additional Debt."

Operational Expenses

The District is obligated to pay monthly charges to the Regional District for its share of the Regional District's operation and maintenance expenses in connection with the Regional District's provision of service to the Service Area from the Regional District Facilities. The monthly charges paid by the District to the Regional District will be used to pay the District's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The District's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Regional District and expressed in terms of "cost per equivalent single-family residential connection." See "REGIONAL DISTRICT CONTRACT" herein.

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 Polyflouroalkyl 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 District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ 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. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

<u>Ponding (or Pluvial) Flood</u>: 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.

<u>Riverine (or Fluvial) Flood</u>: 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 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.

Marketability

The District has no understanding (other than the initial reoffering yields) with the winning bidders of the Bonds (the "Initial Purchasers") 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."

Continuing Compliance with Certain Covenants

The Bond Resolutions contain 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."

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.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

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 absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

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

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

Neither the District nor the Initial Purchasers 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" 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.

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 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 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.

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 Series 2024 Bonds Proceeds", "Use and Distribution of Series 2024 Road Bonds Proceeds", and "Use and Distribution of Series 2024 Park Bonds Proceeds") "THE DISTRICT – Authority," "TAXING PROCEDURES," "THE UTILITY SYSTEM – Wholesale Agreement for Water and Wastewater Service," "THE ROAD SYSTEM," "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 Purchasers 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 Purchasers 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 Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended) 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 Resolutions that is will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions 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, the Financial Advisor, and the Initial Purchasers with respect to matters solely within the knowledge of the District, the Financial Advisor, and the Initial Purchasers, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolutions 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 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 Purchasers has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

NOT Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolutions, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and in "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to the MSRB.

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 and if the audit report becomes available. The District's current fiscal year end is April 30. Accordingly, it must provide updated information by the last day in October 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 Resolutions 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 Purchasers from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developers, 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.

The financial statements of the District as of April 30, 2024, and for the year then ended, included in this Official Statement, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for the District's audited financial statements.

Experts

The information contained in the Official Statement relating to engineering and to the description of the Utility 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 Quiddity Engineering, LLC 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 Bob Leared Interests and the Appraisal Districts. Such information has been included herein in reliance upon Bob Leared Interests' authority as an expert in the field of tax collection and the Appraisal Districts' authority as experts 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 Purchasers, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchasers elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchasers; 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 Purchasers, unless the Initial Purchasers notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

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. 5 as of the date shown on the cover page hereof.

/s/ Richard Jenks
President, Board of Directors
Harris-Waller Counties Municipal Utility District No. 5

ATTEST:

/s/ Olga M. Strong
Secretary, Board of Directors
Harris-Waller Counties Municipal Utility District No. 5

APPENDIX A

Financial Statements of the District

HARRIS - WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 5

HARRIS AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

April 30, 2024

Table of Contents

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. 5
Harris and Waller Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 5 (the "District"), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris - Waller Counties Municipal Utility District No. 5, as of April 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McGrath & Co, PLLC

Houston, Texas
July 18, 2024

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris - Waller Counties Municipal Utility District No. 5 (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 April 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at April 30, 2024, was negative $21,328,840. The amount is negative primarily because the District incurs debt to construct public roads which it conveys to Waller County. A comparative summary of the District's overall financial position, as of April 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	$ 7,729,660	$ 2,445,835
Capital assets	24,325,863	18,877,516
Total assets	32,055,523	21,323,351
Current liabilities	9,896,162	7,969,472
Long-term liabilities	43,488,201	29,496,389
Total liabilities	53,384,363	37,465,861
Net position		
Net investment in capital assets	(6,031,026)	(2,029,368)
Restricted	2,149,062	726,454
Unrestricted	(17,446,876)	(14,839,596)
Total net position	$ (21,328,840)	$ (16,142,510)

The total net position of the District decreased during the current fiscal year by $5,186,330. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	$ 5,446,799	$ 1,009,957
Water and sewer service	1,901,682	1,092,897
Other	1,142,660	1,262,181
Total revenues	8,491,141	3,365,035
Expenses		
Current service operations	1,709,972	1,454,333
Debt interest and fees	1,327,976	392,059
Developer interest	1,309,068	318,967
Debt issuance costs	2,041,975	977,119
Intergovernmental	4,424,949	1,610,652
Depreciation	731,028	462,009
Total expenses	11,544,968	5,215,139
Change in net position before other item	(3,053,827)	(1,850,104)
Other item		
Transfers to other governments	(2,132,503)	(8,895,646)
Change in net position	(5,186,330)	(10,745,750)
Net position, beginning of year	(16,142,510)	(5,396,760)
Net position, end of year	$ (21,328,840)	$ (16,142,510)

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2024, were $4,639,356, which consists of $1,935,947 in the General Fund, $2,071,410 in the Debt Service Fund, and $631,999 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	$ 2,901,463	$ 1,260,381
Total liabilities	$ 917,642	$ 774,157
Total deferred inflows	47,874	26,450
Total fund balance	1,935,947	459,774
Total liabilities, deferred inflows and fund balance	$ 2,901,463	$ 1,260,381

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

	2024	2023
Total revenues	$ 5,241,451	$ 2,899,827
Total expenditures	(3,765,278)	(3,064,863)
Revenues over/(under) expenditures	1,476,173	(165,036)
Other changes in fund balance		208,769
Net change in fund balance	$ 1,476,173	$ 43,733

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	$ 4,194,899	$ 727,548
Total liabilities	$ 2,045,837	$ 1,094
Total deferred inflows	77,652	23,362
Total fund balance	2,071,410	703,092
Total liabilities, deferred inflows and fund balance	$ 4,194,899	$ 727,548

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

	2024	2023
Total revenues	$ 3,148,694	$ 408,998
Total expenditures	(3,134,176)	(258,806)
Revenues over expenditures	14,518	150,192
Other changes in fund balance	1,353,800	552,900
Net change in fund balance	$ 1,368,318	$ 703,092

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	$ 633,298	$ 457,906
Total liabilities	$ 1,299	$ -
Total fund balance	631,999	457,906
Total liabilities and fund balance	$ 633,298	$ 457,906

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

	2024	2023
Total revenues	$ 25,282	$ 6,398
Total expenditures	(21,291,276)	(10,058,757)
Revenues under expenditures	(21,265,994)	(10,052,359)
Other changes in fund balance	21,440,087	10,334,600
Net change in fund balance	$ 174,093	$ 282,241

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds, Series 2023 Tax Road Bonds, Series 2023 Bond Anticipation Note and Series 2023 Park Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2022 Unlimited Tax Bonds and Series 2022A Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $283,676 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at April 30, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Construction in progress	$ 258,008	$ -
Capital assets being depreciated		
Infrastructure	19,457,534	18,483,712
Landscaping improvements	5,972,735	1,025,190
	25,430,269	19,508,902
Less accumulated depreciation		
Infrastructure	(1,008,629)	(576,239)
Landscaping improvements	(353,785)	(55,147)
	(1,362,414)	(631,386)
Depreciable capital assets, net	24,067,855	18,877,516
Capital assets, net	$ 24,325,863	$ 18,877,516

Capital asset additions during the current year include the following:

- Water, sewer, and drainage facilities to serve Section 17
- Landscape to serve Sunterra Section 10
- Drainage facilities to serve Section 27
- Park landscape to serve Sunterra Sections 1 - 4, 5 - 9 and Section 11
- Landscape, hardscape, and irrigation to serve Sunterra Section 5 - 9, 11 - 13, 17 - 20, 26, 27
- Sunterra Section 27 driveway
- Section 17 – 20 added walks
- Make-up waterlines – 12 inch equalizer line

The District's construction in progress is for the construction of landscape, hardscape, and irrigation to serve Sunterra Section 21.

Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of Waller County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the year ended April 30, 2024, capital assets in the amount of $2,132,503 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of April 30, 2024, the District owes approximately $10,833,201 to developers 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 7, the District has an additional commitment in the amount of $4,070,008 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At April 30, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2022	$ 9,215,000	$ 9,215,000
2023	12,350,000	
2023 Road	11,275,000	
	$ 32,840,000	$ 9,215,000

During the current year, the District issued $12,350,000 in unlimited tax bonds and $11,275,000 in unlimited tax road bonds. At April 30, 2024, the District had $113,265,000 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 $40,449,000 for the refunding of such bonds; $49,780,000 authorized, but unissued, for parks and recreational facilities and $14,934,000 for the refunding of such bonds; and $115,970,000 authorized, but unissued, for road improvements and $38,174,000 for the refunding of such bonds.

During the current year, the District issued $6,315,000 in bond anticipation notes (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year's Budget

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

	2024 Actual	2025 Budget
Total revenues	$ 5,241,451	$ 4,673,500
Total expenditures	(3,765,278)	(3,534,028)
Revenues over expenditures	1,476,173	1,139,472
Beginning fund balance	459,774	1,935,947
Ending fund balance	$ 1,935,947	$ 3,075,419

Property Taxes

The District's property tax base increased approximately $115,476,000 for the 2024 tax year from $358,137,790 to $473,614,168, based on preliminary values. This increase was primarily due to new construction in the District.

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Basic Financial Statements

Harris - Waller Counties Municipal Utility District No. 5
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 309,215	$ 2,099,746	$ 271,295	$ 2,680,256	$ -	$ 2,680,256
Investments	2,147,615	2,038,828	460,546	4,646,989		4,646,989
Taxes receivable	47,874	77,652		125,526		125,526
Customer service receivables	228,553			228,553		228,553
Internal balances	119,870	(21,327)	(98,543)			
Prepaid items	883			883		883
Other receivables	47,453			47,453		47,453
Capital assets not being depreciated					258,008	258,008
Capital assets, net					24,067,855	24,067,855
Total Assets	$ 2,901,463	$ 4,194,899	$ 633,298	$ 7,729,660	24,325,863	32,055,523
Liabilities						
Accounts payable	$ 346,952	$ -	$ 1,299	$ 348,251		348,251
Due to Master District		2,045,072		2,045,072		2,045,072
Retainage payable	15,503			15,503		15,503
Other payables	2,953	765		3,718		3,718
Customer deposits	477,409			477,409		477,409
Builder deposits	22,525			22,525		22,525
Unearned revenue	52,300			52,300		52,300
Accrued interest payable					431,384	431,384
Bond anticipation note payable					6,315,000	6,315,000
Due to developers					10,833,201	10,833,201
Long-term debt						
Due within one year					185,000	185,000
Due after one year					32,655,000	32,655,000
Total Liabilities	917,642	2,045,837	1,299	2,964,778	50,419,585	53,384,363
Deferred Inflows of Resources						
Deferred property taxes	47,874	77,652		125,526	(125,526)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	883			883	(883)	
Restricted		2,071,410	631,999	2,703,409	(2,703,409)	
Unassigned	1,935,064			1,935,064	(1,935,064)	
Total Fund Balances	1,935,947	2,071,410	631,999	4,639,356	(4,639,356)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,901,463	$ 4,194,899	$ 633,298	$ 7,729,660		
Net Position						
Net investment in capital assets					(6,031,026)	(6,031,026)
Restricted for debt service					2,149,062	2,149,062
Unrestricted					(17,446,876)	(17,446,876)
Total Net Position					$ (21,328,840)	$ (21,328,840)

See notes to basic financial statements.

Harris - Waller Counties Municipal Utility District No. 5
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 1,259,073	$ -	$ -	$ 1,259,073	$ -	$ 1,259,073
Sewer service	642,609			642,609		642,609
Property taxes	2,252,131	3,050,531		5,302,662	68,337	5,370,999
Penalties and interest	45,609	22,814		68,423	7,377	75,800
Tap connection and inspection	976,199			976,199		976,199
Miscellaneous	18,735	109		18,844		18,844
Investment earnings	47,095	75,240	25,282	147,617		147,617
Total Revenues	5,241,451	3,148,694	25,282	8,415,427	75,714	8,491,141
Expenditures/Expenses						
Current service operations						
Professional fees	166,474	2,511	103,800	272,785		272,785
Contracted services	1,009,592	63,854		1,073,446		1,073,446
Repairs and maintenance	322,739			322,739		322,739
Administrative	20,010	9,361		29,371		29,371
Other	10,270	1,001	360	11,631		11,631
Capital outlay	1,573		17,612,380	17,613,953	(17,613,953)	
Debt service						
Interest and fees		867,120	223,693	1,090,813	237,163	1,327,976
Developer interest			1,309,068	1,309,068		1,309,068
Debt issuance costs			2,041,975	2,041,975		2,041,975
Intergovernmental						
Master District connection fees	1,950,052			1,950,052		1,950,052
Maintenance charges	284,568			284,568		284,568
Contractual obligations		2,190,329		2,190,329		2,190,329
Depreciation					731,028	731,028
Total Expenditures/Expenses	3,765,278	3,134,176	21,291,276	28,190,730	(16,645,762)	11,544,968
Revenues Over/(Under) Expenses/Expenditures	1,476,173	14,518	(21,265,994)	(19,775,303)	16,721,476	(3,053,827)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		1,353,800	22,271,200	23,625,000	(23,625,000)	
Proceeds from bond anticipation note			6,315,000	6,315,000	(6,315,000)	
Repayment of bond anticipation note			(7,000,000)	(7,000,000)	7,000,000	
Repayment of developer advances			(146,113)	(146,113)	146,113	
Other Item						
Transfers to other governments					(2,132,503)	(2,132,503)
Net Change in Fund Balance	1,476,173	1,368,318	174,093	3,018,584	(3,018,584)	
Change in Net Position					(5,186,330)	(5,186,330)
Fund Balance/Net Position						
Beginning of the year	459,774	703,092	457,906	1,620,772	(17,763,282)	(16,142,510)
End of the year	$ 1,935,947	$ 2,071,410	$ 631,999	$ 4,639,356	$ (25,968,196)	$ (21,328,840)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris - Waller Counties Municipal Utility District No. 5 (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

Harris - Waller Counties Municipal Utility District No. 4 ('MUD 4") was organized, created, and established pursuant to House Bill No. 4520, 86th Session of the Texas Legislature, Regular Session, codified as Chapter 8047, Texas Special District Local Law Code (the "Act"), effective May 3, 2019. On July 30, 2020, the voters of MUD 4 approved a proposition dividing MUD 4 into three districts: the District, MUD 4 and Waller County Municipal Utility District No. 37 ("MUD 37"). As a result of the division, the District operates in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. On November 3, 2020, the voters of the District voted to confirm the creation of the District. The Board of Directors held its first meeting on August 11, 2020, and the first bonds were issued on November 22, 2022.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Landscaping improvements	20 years

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 4,639,356
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 25,688,277	
Less accumulated depreciation	(1,362,414)	
Change due to capital assets		24,325,863
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bond anticipation payable	(6,315,000)	
Interest payable on bonds	(431,384)	
Bonds payable, net	(32,840,000)	
Change due to long-term debt		(39,586,384)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position.*		(10,833,201)
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.		125,526
Total net position - governmental activities		$ (21,328,840)

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

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

Net change in fund balances - total governmental funds		$ 3,018,584
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.		75,714
Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset. Other assets are recorded as transfers to other governments.		
Capital outlays	$ 17,613,953	
Depreciation expense	(731,028)	
Transfers to other governments	(2,132,503)	
		14,750,422
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.		
Issuance of long term debt	(23,625,000)	
Proceeds from bond anticipation note	(6,315,000)	
Repayment of bond anticipation note	7,000,000	
Interest payable on bonds	(237,163)	
		(23,177,163)
Amounts repaid to the District's developers for construction advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*.		146,113
Change in net position of governmental activities		$ (5,186,330)

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.

As of April 30, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 2,147,615		
	Debt Service	2,038,828		
	Capital Projects	460,546		
		$ 4,646,989	AAAm	38 days

Note 3 – Deposits and Investments (continued)

TexSTAR

The Texas Short Term Asset Reserve fund ("TexSTAR") is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 21,327	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	98,543	Bond application fees paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Construction in progress	$ -	$ 258,008	$ 258,008
Capital assets being depreciated			
Infrastructure	18,483,712	973,822	19,457,534
Landscaping improvements	1,025,190	4,947,545	5,972,735
	19,508,902	5,921,367	25,430,269
Less accumulated depreciation			
Infrastructure	(576,239)	(432,390)	(1,008,629)
Landscaping improvements	(55,147)	(298,638)	(353,785)
	(631,386)	(731,028)	(1,362,414)
Subtotal depreciable capital assets, net	18,877,516	5,190,339	24,067,855
Capital assets, net	$ 18,877,516	$ 5,448,347	$ 24,325,863

Depreciation expense for the current fiscal year was $731,028.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of $7,000,000. This BAN was repaid on August 22, 2023 with proceeds from the issuance of the District's Series 2023 Unlimited Tax Bonds.

On December 21, 2023, the District issued a $1,980,000 BAN with an interest rate of 5.63% and a $4,335,000 Park BAN with an interest rate of 5.63%, both of which are due on December 20, 2024.

The effect of these transactions on the District's short-term obligations are as follows:

Beginning balance	$ 7,000,000
Amounts borrowed	6,315,000
Amounts repaid	(7,000,000)
Ending balance	$ 6,315,000

Note 7 – Due to Developers

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

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

Due to developers, beginning of year	$ 20,281,389
Developer reimbursements	(17,161,870)
Developer funded construction and adjustments	7,859,795
Repayment of operating advances	(146,113)
Due to developers, end of year	$ 10,833,201

In addition, the District will owe the developers approximately $4,070,008, 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.

	Contract Amount	Percentage Completed
Sunterra Sections 21 - hardscape, landscape and irrigation	$ 697,911	80%
Sunterra Sections 34 - hardscape, landscape and irrigation	26,497	80%
Sunterra sol club west amenity improvements	2,339,159	81%
Sunterra beach corner park improvements	1,006,442	91%
	$ 4,070,008	

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 32,840,000
Due within one year	$ 185,000

Note 8 – Long-Term Debt (continued)

The District's bonds payable at April 30, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	$ 9,215,000	$ 9,215,000	4.00% - 5.00%	September 1, 2024/2048	September 1, March 1	September 1, 2029
2023	12,350,000	12,350,000	3.50% - 5.00%	September 1, 2025/2049	September 1, March 1	September 1, 2030
2023 Road	11,275,000	11,275,000	5.00%	September 1, 2025/2049	September 1, March 1	September 1, 2030
	$ 32,840,000					

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

At April 30, 2024, the District had authorized but unissued bonds in the amount of $113,265,000 for water, sanitary sewer and drainage systems within the District and $40,449,000 for the refunding of such bonds; $49,780,000 for park and recreational facilities and $14,934,000 for the refunding of such bonds; and $115,970,000 for road improvements and $38,174,000 for the refunding of such bonds.

On August 22, 2023, the District issued its $12,350,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.257793%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a $7,000,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

On November 21, 2023, the District issued its $11,275,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 5.178355%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	$ 9,215,000
Bonds issued	23,625,000
Bonds payable, end of year	$ 32,840,000

Note 8 – Long-Term Debt (continued)

As of April 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	$ 185,000	$ 1,511,150	$ 1,696,150
2026	705,000	1,490,800	2,195,800
2027	735,000	1,456,800	2,191,800
2028	780,000	1,421,050	2,201,050
2029	810,000	1,383,550	2,193,550
2030	850,000	1,344,250	2,194,250
2031	895,000	1,302,631	2,197,631
2032	935,000	1,261,200	2,196,200
2033	980,000	1,220,201	2,200,201
2034	1,035,000	1,176,669	2,211,669
2035	1,080,000	1,130,200	2,210,200
2036	1,140,000	1,081,000	2,221,000
2037	1,195,000	1,028,944	2,223,944
2038	1,255,000	973,725	2,228,725
2039	1,315,000	914,863	2,229,863
2040	1,380,000	852,513	2,232,513
2041	1,450,000	787,013	2,237,013
2042	1,520,000	718,238	2,238,238
2043	1,600,000	645,963	2,245,963
2044	1,680,000	569,938	2,249,938
2045	1,765,000	489,663	2,254,663
2046	1,850,000	405,019	2,255,019
2047	1,945,000	316,138	2,261,138
2048	2,040,000	222,313	2,262,313
2049	2,140,000	123,419	2,263,419
2050	1,575,000	36,394	1,611,394
	$ 32,840,000	$ 23,863,644	$ 56,703,644

Note 9 – Property Taxes

On November 3, 2020, 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. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Note 9 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Harris Central and Waller County Appraisal Districts. 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 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of $1.50 per $100 of assessed value, of which $0.635 was allocated to maintenance and operations, $0.285 was allocated to debt service, and $0.58 was allocated to contract tax. The resulting tax levy was $5,372,067 on the adjusted taxable value of $358,137,790.

Property taxes receivable, at April 30, 2024, consisted of the following:

Current year taxes receivable	$ 113,076
Prior years taxes receivable	9
	113,085
Penalty and interest receivable	12,441
Property taxes receivable	$ 125,526

Note 10 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within Waller County limits. Accordingly, road facilities are considered to be capital assets of Waller County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended April 30, 2024, the District recorded transfers to other governments in the amount of $2,132,503 for road facilities constructed by a developer within the District.

Note 11 – Master District

On November 17, 2020, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the "Contract") with MUD 4 (the "Master District"), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage and road facilities necessary to serve all participating districts located within the Master District's service area.

Note 11 – Master District (continued)

Operating and Maintenance Reserve

The Contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the District to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of April 30, 2024, the District has paid $251,294 to the Master District for its share of the operating and maintenance reserve.

Monthly Connection Fees for Operating Expenses

Upon commencement of services, the Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection multiplied by the number of equivalent single-family connections reserved to the District. The term of the Contract is 40 years.

Master District Debt

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage, and road facilities needed to provide services to all participating districts in the service area. The District shall contribute annually to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts. For the 2023 tax year, the District's pro rata share is 62.16%. The District levied a contract tax rate of $0.58 per $100 of assessed valuation to pay for its pro rata share of Master District debt service requirements. As of April 30, 2024, the Master District has $53,215,000 in contract revenue bonds outstanding.

Summary of Charges

For the fiscal year ended April 30, 2024, the District incurred the following costs pursuant to the Contract with the Master District:

- Monthly connection fees for operating expenses in the amount of $1,950,052;
- Monthly charges for mowing expenses in the amount of $284,568; and
- Contractual obligations for Master District debt service requirements in the amount of $2,190,329.

Note 12 – 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 four prior years.

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Required Supplementary Information

Harris - Waller Counties Municipal Utility District No. 5
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 1,551,198	$ 1,551,198	$ 1,259,073	$ (292,125)
Sewer service	90,000	90,000	642,609	552,609
Property taxes	1,004,559	2,200,000	2,252,131	52,131
Penalties and interest	1,000	1,000	45,609	44,609
Tap connection and inspection	463,500	463,500	976,199	512,699
Miscellaneous			18,735	18,735
Investment earnings			47,095	47,095
Total Revenues	3,110,257	4,305,698	5,241,451	935,753
Expenditures				
Current service operations				
Professional fees	141,000	141,000	166,474	(25,474)
Contracted services	2,441,244	2,501,244	1,009,592	1,491,652
Repairs and maintenance	441,857	441,857	322,739	119,118
Administrative	24,100	24,100	20,010	4,090
Other	5,000	5,000	10,270	(5,270)
Capittal outlay			1,573	(1,573)
Intergovernmental				
Master District connection fees			1,950,052	(1,950,052)
Maintenance charges			284,568	(284,568)
Total Expenditures	3,053,201	3,113,201	3,765,278	(652,077)
Revenues Over Expenditures	57,056	1,192,497	1,476,173	283,676
Fund Balance				
Beginning of the year	459,774	459,774	459,774	
End of the year	$ 516,830	$ 1,652,271	$ 1,935,947	$ 283,676

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Harris - Waller Counties Municipal Utility District No. 5
TSI-1. Services and Rates
April 30, 2024

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

[X] Retail Water	[ ] Wholesale Water	[X] Solid Waste/ Garbage	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Flood Control	[ ] Irrigation
[ ] Parks / Recreation	[ ] Fire Protection	[ ] Roads	[X] Security

[X] 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:	$ 57.00	10,000	N	$ 4.30	10,001	to	no limit
Wastewater:	$ 47.50		Y				

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

Total charges per 10,000 gallons usage: Water $ 57.00 Wastewater $ 47.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,480	1,460	x 1.0	1,460
1"	1	1	x 2.5	3
1.5"	38	38	x 5.0	190
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	1,519	1,499		1,653
Total Wastewater	1,481	1,461	x 1.0	1,461

See accompanying auditor's report.

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

Gallons purchased:	182,719	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	182,719	100.00%

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

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

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

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

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

5. Location of District:

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

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

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

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

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

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

ETJs in which the District is located: City of Houston

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

If Yes, by whom? ______

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2024

Professional fees	
Legal	$ 153,474
Audit	13,000
	166,474
Contracted services	
Bookkeeping	24,025
Operator	132,170
Tap connection and inspection	537,879
Garbage service	217,134
Security service	98,384
	1,009,592
Repairs and maintenance	322,739
Administrative	
Directors fees	11,216
Printing and office supplies	2,061
Insurance	3,135
Other	3,598
	20,010
Other	10,270
Capital outlay	1,573
Intergovernmental	
Master District connection fees	1,950,052
Maintenance charges	284,568
	2,234,620
Total expenditures	$ 3,765,278

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-3. Investments
April 30, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 2,147,615
Debt Service			
TexSTAR	Variable	N/A	1,331,210
	Variable	N/A	707,618
			2,038,828
Capital Projects			
TexSTAR	Variable	N/A	460,546
Total - All Funds			$ 4,646,989

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-4. Taxes Levied and Receivable
April 30, 2024

	Maintenance Taxes	W-S-D Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	$ 26,449	$ 6,391	$ 11,908	$ 44,748
Adjustments to Prior Year Tax Levy	(620)	(157)	(292)	(1,069)
Adjusted Receivable	25,829	6,234	11,616	43,679
2023 Original Tax Levy	2,080,971	933,979	1,900,729	4,915,679
Adjustments	193,204	86,714	176,470	456,388
Adjusted Tax Levy	2,274,175	1,020,693	2,077,199	5,372,067
Total to be accounted for	2,300,004	1,026,927	2,088,815	5,415,746
Tax collections:				
Current year	2,226,306	999,208	2,033,477	5,258,991
Prior year	25,824	6,232	11,614	43,670
Total Collections	2,252,130	1,005,440	2,045,091	5,302,661
Taxes Receivable, End of Year	$ 47,874	$ 21,487	$ 43,724	$ 113,085
Taxes Receivable, By Years				
2023	$ 47,869	$ 21,485	$ 43,722	$ 113,076
2022	5	2	2	9
Taxes Receivable, End of Year	$ 47,874	$ 21,487	$ 43,724	$ 113,085

	2023	2022	2021
Property Valuations:			
Land	$ 109,389,234	$ 55,871,227	$ 10,036,475
Improvements	262,715,530	8,733,418	440,490
Personal Property	2,555,290	277,369	75,854
Exemptions	(16,522,264)	(629,422)	(99,673)
Total Property Valuations	$ 358,137,790	$ 64,252,592	$ 10,453,146
Tax Rates per $100 Valuation:			
Maintenance tax rates	$ 0.635	$ 0.87	$ 1.50
W-S-D debt service tax rates	0.285	0.22	
Contract tax rates	0.580	0.41	
Total Tax Rates per $100 Valuation	$ 1.500	$ 1.50	$ 1.50
Adjusted Tax Levy:	$ 5,372,067	$ 963,789	$ 156,797
Percentage of Taxes Collected to Taxes Levied ***	97.90%	99.99%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 3, 2020
** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 3, 2020
*** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.
See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	$ 185,000	$ 439,225	$ 624,225
2026	195,000	431,625	626,625
2027	205,000	423,625	628,625
2028	220,000	415,125	635,125
2029	230,000	406,125	636,125
2030	240,000	396,575	636,575
2031	255,000	386,206	641,206
2032	265,000	374,825	639,825
2033	280,000	362,563	642,563
2034	295,000	349,256	644,256
2035	310,000	334,500	644,500
2036	330,000	318,500	648,500
2037	345,000	301,625	646,625
2038	365,000	283,875	648,875
2039	380,000	265,250	645,250
2040	400,000	245,750	645,750
2041	425,000	225,125	650,125
2042	445,000	203,375	648,375
2043	470,000	180,500	650,500
2044	495,000	156,375	651,375
2045	520,000	131,000	651,000
2046	545,000	104,375	649,375
2047	575,000	76,375	651,375
2048	605,000	46,875	651,875
2049	635,000	15,875	650,875
	$ 9,215,000	$ 6,874,525	$ 16,089,525

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	$ -	$ 508,175	$ 508,175
2026	280,000	501,175	781,175
2027	290,000	486,925	776,925
2028	305,000	472,050	777,050
2029	315,000	456,550	771,550
2030	330,000	440,425	770,425
2031	345,000	423,550	768,550
2032	360,000	408,625	768,625
2033	375,000	395,763	770,763
2034	395,000	382,288	777,288
2035	410,000	368,200	778,200
2036	430,000	353,500	783,500
2037	450,000	337,819	787,819
2038	470,000	320,850	790,850
2039	490,000	302,238	792,238
2040	515,000	282,138	797,138
2041	535,000	261,138	796,138
2042	560,000	239,238	799,238
2043	585,000	216,338	801,338
2044	610,000	192,438	802,438
2045	640,000	167,038	807,038
2046	670,000	140,019	810,019
2047	700,000	111,763	811,763
2048	730,000	81,813	811,813
2049	765,000	50,044	815,044
2050	795,000	16,894	811,894
	$ 12,350,000	$ 7,916,994	$ 20,266,994

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	$ -	$ 563,750	$ 563,750
2026	230,000	558,000	788,000
2027	240,000	546,250	786,250
2028	255,000	533,875	788,875
2029	265,000	520,875	785,875
2030	280,000	507,250	787,250
2031	295,000	492,875	787,875
2032	310,000	477,750	787,750
2033	325,000	461,875	786,875
2034	345,000	445,125	790,125
2035	360,000	427,500	787,500
2036	380,000	409,000	789,000
2037	400,000	389,500	789,500
2038	420,000	369,000	789,000
2039	445,000	347,375	792,375
2040	465,000	324,625	789,625
2041	490,000	300,750	790,750
2042	515,000	275,625	790,625
2043	545,000	249,125	794,125
2044	575,000	221,125	796,125
2045	605,000	191,625	796,625
2046	635,000	160,625	795,625
2047	670,000	128,000	798,000
2048	705,000	93,625	798,625
2049	740,000	57,500	797,500
2050	780,000	19,500	799,500
	$ 11,275,000	$ 9,072,125	$ 20,347,125

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	$ 185,000	$ 1,511,150	$ 1,696,150
2026	705,000	1,490,800	2,195,800
2027	735,000	1,456,800	2,191,800
2028	780,000	1,421,050	2,201,050
2029	810,000	1,383,550	2,193,550
2030	850,000	1,344,250	2,194,250
2031	895,000	1,302,631	2,197,631
2032	935,000	1,261,200	2,196,200
2033	980,000	1,220,201	2,200,201
2034	1,035,000	1,176,669	2,211,669
2035	1,080,000	1,130,200	2,210,200
2036	1,140,000	1,081,000	2,221,000
2037	1,195,000	1,028,944	2,223,944
2038	1,255,000	973,725	2,228,725
2039	1,315,000	914,863	2,229,863
2040	1,380,000	852,513	2,232,513
2041	1,450,000	787,013	2,237,013
2042	1,520,000	718,238	2,238,238
2043	1,600,000	645,963	2,245,963
2044	1,680,000	569,938	2,249,938
2045	1,765,000	489,663	2,254,663
2046	1,850,000	405,019	2,255,019
2047	1,945,000	316,138	2,261,138
2048	2,040,000	222,313	2,262,313
2049	2,140,000	123,419	2,263,419
2050	1,575,000	36,394	1,611,394
	$ 32,840,000	$ 23,863,644	$ 56,703,644

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-6. Change in Long-Term Bonded Debt
April 30, 2024

	Bond Issue			
	Series 2022	Series 2023	Series 2023 Road	Totals
Interest rate	4.00% - 5.00%	3.50% - 5.00%	5.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/24 - 9/1/48	9/1/25 - 9/1/49	9/1/25 - 9/1/49	
Beginning bonds outstanding	$ 9,215,000	$ -	$ -	$ 9,215,000
Bonds issued		12,350,000	11,275,000	23,625,000
Ending bonds outstanding	$ 9,215,000	$ 12,350,000	$ 11,275,000	$ 32,840,000
Interest paid during fiscal year	$ 442,925	$ 266,792	$ 156,597	$ 866,314
Paying agent's name and city				
Series 2022	Regions Bank, Houston, Texas			
All other series	BOKF, N.A., Dallas, Texas			

Bond Authority:	Water, Sewer and Drainage Bonds	Water, Sewer and Drainage Refunding Bonds	Road Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 134,830,000	$ 40,449,000	$ 127,245,000	$ 38,174,000
Amount Issued	(21,565,000)		(11,275,000)	
Remaining To Be Issued	$ 113,265,000	$ 40,449,000	$ 115,970,000	$ 38,174,000

Bond Authority:	Park and Recreation Facilities Bonds	Park and Recreation Facilities Refunding Bonds
Amount Authorized by Voters	$ 49,780,000	$ 14,934,000
Amount Issued		
Remaining To Be Issued	$ 49,780,000	$ 14,934,000

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

Debt Service Fund cash and investment balances as of April 30, 2024:	$ 4,138,574
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 2,180,909

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2024	2023	2022	2021
Revenues				
Water service	$ 1,259,073	$ 741,594	$ 27,381	$ -
Sewer service	642,609	351,303	9,520	
Property taxes	2,252,131	534,350	156,797	
Penalties and interest	45,609	31,619	1,569	
Tap connection and inspection	976,199	1,211,705	952,845	
Miscellaneous	18,735	20,441	340	
Investment earnings	47,095	8,815	93	13
Total Revenues	5,241,451	2,899,827	1,148,545	13
Expenditures				
Current service operations				
Purchased services			223,041	
Professional fees	166,474	86,762	95,630	155,968
Contracted services	1,009,592	1,051,560	389,411	6,000
Repairs and maintenance	322,739	173,423	20,587	
Administrative	20,010	19,372	17,364	9,904
Other	10,270	21,071	1,570	1,036
Capital outlay	1,573	207,738		
Intergovernmental				
Master District connection fees	1,950,052	1,354,012		
Maintenance charges	284,568	150,925		
Total Expenditures	3,765,278	3,064,863	747,603	172,908
Revenues Over/(Under) Expenditures	$ 1,476,173	$ (165,036)	$ 400,942	$ (172,895)
Total Active Retail Water Connections	1,499	1,175	614	N/A
Total Active Retail Wastewater Connections	1,461	1,147	606	N/A

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues			
2024	2023	2022	2021
24%	26%	2%	- %
12%	12%	1%	-
43%	18%	14%	-
1%	1%	*	-
19%	42%	83%	-
*	1%	*	-
1%	*	*	-
100%	100%	100%	-
		19%	-
3%	3%	8%	-
19%	36%	34%	-
6%	6%	2%	-
*	1%	2%	-
*	1%	*	-
*	7%		-
37%	47%		-
5%	5%		-
70%	106%	65%	-
30%	(6%)	35%	-

Harris - Waller Counties Municipal Utility District No. 5
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
Revenues				
Property taxes	$ 3,050,531	$ 387,122	97%	94%
Penalties and interest	22,814	7,054	1%	2%
Miscellaneous	109	4,217	*	1%
Investment earnings	75,240	10,605	2%	3%
Total Revenues	3,148,694	408,998	100%	100%
Expenditures				
Tax collection services	75,726	30,311	2%	7%
Other	1,001	976	*	*
Debt service				
Interest and fees	867,120	121,804	28%	30%
Intergovernmental				
Contractual obligations	2,190,329	105,715	70%	26%
Total Expenditures	3,134,176	258,806	100%	63%
Revenues Over Expenditures	$ 14,518	$ 150,192	-	37%

*Percentage is negligible

See accompanying auditor's report.

Harris - Waller Counties Municipal Utility District No. 5
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2024

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):	March 21, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Richard Jenks	03/24 - 05/24	$ 221	$ 2	President
Chelsea Taylor	03/24 - 05/28	442	10	Vice President
Olga M. Strong	05/24 - 05/28	2,510	87	Secretary
Wes Simon	07/23 - 05/26	2,431	50	Assistant Vice President
Cindy Morrow	05/22 - 05/26	2,289	145	Assistant Secretary
Christie Leighton	11/20 - 03/24	2,289	1,266	Former Director
Brian Lopera	11/20 - 03/24	1,034	217	Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	2020			Attorney
General legal fees		$ 107,283		
Bond counsel		634,719		
Municipal District Services	2020	1,096,724		Operator
Myrtle Cruz, Inc.	2020	38,904		Bookkeeper
Bob Leared Interests	2020	21,246		Tax Collector
Waller County Appraisal District	Legislation	37,792		Property Valuation
Harris Central Appraisal District	Legislation	2,796		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2020	2,511		Delinquent Tax Attorney
Quiddity Engineering, LLC	2020	139,570		Engineer
Kimley-Horn & Associates, Inc.	2020	10,690		Landscape Architect
McGrath & Co., PLLC	2020	41,550		Auditor
R.W. Baird & Co., Inc.	2020	539,811		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, 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 Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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 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 AG 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By ________________________________
Authorized Officer

1633 Broadway, New York, N.Y. 10019 (212) 974-0100