

OFFICIAL STATEMENT DATED SEPTEMBER 12, 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" herein.

\$7,705,000

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 37

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

UNLIMITED TAX ROAD BONDS

SERIES 2024

Dated: October 1, 2024

Interest Accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$7,705,000 Unlimited Tax Road Bonds, Series 2024 (the "Bonds") are obligations of Waller County Municipal Utility District No. 37 (the "District") and are not obligations of the State of 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; 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/registrars, initially, Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are dated October 1, 2024 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about October 10, 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 an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.



The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. 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. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about October 10, 2024.

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

\$7,705,000 Unlimited Tax Road Bonds, Series 2024

\$7,105,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 93245C (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 93245C (b)
2026	\$175,000	4.000%	3.050%	DD2	***	***	***	***	***
2027	180,000	4.000%	3.050%	DE0	2040 (c)	\$320,000	4.000%	4.000%	DT7
2028	190,000	4.000%	3.050%	DF7	2041 (c)	335,000	4.000%	4.050%	DU4
2029	200,000	4.000%	3.100%	DG5	2042 (c)	350,000	4.000%	4.080%	DV2
2030	205,000	4.000%	3.200%	DH3	2043 (c)	365,000	4.000%	4.110%	DW0
2031 (c)	215,000	4.000%	3.250%	DJ9	2044 (c)	380,000	4.000%	4.130%	DX8
2032 (c)	225,000	4.000%	3.300%	DK6	2045 (c)	400,000	4.000%	4.150%	DY6
2033 (c)	235,000	4.000%	3.350%	DL4	2046 (c)	415,000	4.000%	4.170%	DZ3
2034 (c)	245,000	4.000%	3.450%	DM2	2047 (c)	435,000	4.000%	4.190%	EA7
2035 (c)	255,000	4.000%	3.550%	DN0	2048 (c)	455,000	4.000%	4.210%	EB5
2036 (c)	270,000	4.000%	3.650%	DP5	2049 (c)	475,000	4.000%	4.220%	EC3
2037 (c)	280,000	4.000%	3.750%	DQ3	2050 (c)	500,000	4.000%	4.230%	ED1

\$600,000 Term Bond

\$600,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.518) (a), CUSIP No. 93245C DS9 (b)

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

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

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

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 Purchaser 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 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. (referred to herein as the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.110960% of the principal amount thereof, which resulted in a net effective interest rate of 4.179104%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. 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.

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Capitalization of AG, AGM and Pro Forma Combined AG

As of June 30, 2024

(dollars in millions)

	AG <u>(Actual)</u>	AGM <u>(Actual)</u>	AG <u>(Pro Forma Combined)</u>
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⁾

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

The 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 Policy by AG at the time of delivery of the 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 Waller County Municipal Utility District No. 37 (the “District”), a political subdivision of the State of Texas, is located in Waller County, Texas. See “THE DISTRICT.”

The Bonds The District is issuing \$7,705,000 Unlimited Tax Road Bonds, Series 2024 (the “Bonds”). The Bonds are dated October 1, 2024, and mature on September 1 in the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about October 10, 2024) (the “Date of Delivery”), and is payable on March 1 and September 1 of each year (each an “Interest Payment Date”), commencing March 1, 2025, until the earlier of maturity or redemption. “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 Bonds maturing on September 1, 2026, through September 1, 2037, both inclusive, and September 1, 2040, through September 1, 2050, both inclusive, are serial bonds. The Bond maturing on September 1 in the year 2039 is a term bond (the “Term Bond”) and is subject to certain 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 Regions Bank, an Alabama banking corporation, Houston, Texas (the “Paying Agent/Registrar”), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”

Authority for Issuance..... The Bonds are issued by the District pursuant to the terms and conditions of a resolution authorizing the issuance of the Bonds (the “Bond Resolution”), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an election held in the District on May 1, 2021.

<i>Source of Payment</i>	The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Waller County, Texas; the City of Houston, Texas; nor any entity other than the District. See “THE BONDS—Source of Payment.” The District is authorized to levy separate taxes to pay debt service on bonds issued for the purpose of constructing or acquiring road facilities in the District (the “Road System”) and to pay debt service on bonds issued for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the “Utility System”); both such taxes are unlimited as to rate or amount.
<i>Payment Record</i>	The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness. See “THE BONDS – Payment Record.”
<i>Outstanding Bonds</i>	The District has previously issued two (2) series of unlimited tax bonds for Utility System purposes and one (1) series of unlimited tax bonds for Road System purposes. Of such series of bonds, \$21,630,000 principal amount will remain outstanding as of the Date of Delivery (the “Outstanding Bonds”). See “THE BONDS—Outstanding Bonds.”
<i>Use of Proceeds</i>	Proceeds from the sale of the Bonds will be used by the District to reimburse Astro Sunterra (herein defined) for the costs of road improvements and related costs as set forth under “THE BONDS - Use and Distribution of Bond Proceeds.” Additionally, proceeds from the sale of the Bonds will be used to pay for twelve (12) months of capitalized interest on the Bonds, developer interest, and costs associated with the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”
<i>Not Qualified Tax-Exempt Obligations</i>	The Bonds are not “qualified tax-exempt obligations” for financial institutions.
<i>Municipal Bond Insurance</i>	ASSURED GUARANTY INC. (“AG”). See “MUNICIPAL BOND INSURANCE.”
<i>Ratings</i>	S&P Global Ratings (Insured): “AA” (stable outlook). Moody’s Investors Service, Inc. (“Moody’s”) (Insured): “A1” (stable outlook). Moody’s (Underlying): “Baa3.” See “RATINGS.”
<i>Bond Counsel</i>	Allen Boone Humphries Robinson LLP, Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor</i>	Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

<i>Description</i>	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 Harris-Waller Counties Municipal Utility District No. 5 (“MUD 5”). MUD 4 was created by House Bill No. 4520, an act of the 86 th Legislature, Regular Session, effective June 10, 2019, and codified as Chapter 8047 of the Special District Local Laws Code (the “Act”).
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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 5.

The District includes approximately 410.07 acres of land and 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 5, Harris County Municipal Utility District No. 569 (“MUD 569”), and Waller County Municipal Utility District No. 35 (“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 (410.07 acres), MUD 4 (140.29 acres), MUD 5 (489.32 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres).

The District, MUD 4, MUD 5, MUD 569, and MUD 35 (the “Participants”) have entered into a 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, 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 agriculture, open space, timberland or other similar uses, 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. Additionally, the Regional District anticipates issuing its \$15,770,000 Contract Revenue Bonds, Series 2024 and \$16,395,000 Contract Revenue Road Bonds, Series 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 Approximately 362.66 acres (1,199 lots) in the District have been developed as the single-family residential subdivisions of Sunterra, Sections 14, 15, 16, 20, 22, 23, 24, 25, 28, 29, 30, 31, and 32. As of May 1, 2024, said subdivisions included approximately 730 completed homes (approximately 609 occupied and 121 unoccupied), approximately 127 homes under construction, and approximately 342 vacant developed lots. Such 362.66 acres include approximately 251.55 acres for developed lots and roadways and approximately 111.11 acres of reserves for detention ponds, open space, utilities, and easements.

Development has been completed for all single-family lots in the District, and the thirteen subdivisions referenced above include all the single-family lots on which homes have or will be constructed in the District. Outside of such subdivisions, the remainder of the lands within the District include approximately 10.59 acres for major thoroughfares and collector roads; approximately 0.26 acres for a lift station site; approximately 12.37 acres for detention ponds; approximately 19.24 acres owned by Katy Independent School District, on which construction of a school is planned; and approximately 4.95 acres planned for commercial development. 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.

Several tracts of land within the District have been developed by other developers. Astro Sunterra and such other developers are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

Homebuilders within the District..... The homebuilders active within the District are Anglia Homes, Ashton Woods Homes, Brightland Homes, CastleRock Communities, Chesmar Homes, D.R. Horton, Davidson Homes, HistoryMaker Homes, KB Home, Lennar Homes, LGI Homes, Long Lake, Nuway Homes, and Westin Homes. Prices of new homes being constructed within the District range from approximately \$265,000 to \$580,000 and range in size from approximately 1,400 to 4,000 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.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2023 Certified Taxable Assessed Valuation	\$ 94,447,092	(a)
2024 Certified Taxable Assessed Valuation.....	\$ 250,728,087	(b)
Estimated Taxable Assessed Valuation as of May 1, 2024.....	\$ 308,601,676	(c)
Direct Debt:		
The Outstanding Bonds	\$ 21,630,000	(d)
The Bonds	<u>\$ 7,705,000</u>	
Total.....	\$ 29,335,000	
Estimated Overlapping Debt.....	<u>\$ 32,971,112</u>	(e)
Total Direct and Estimated Overlapping Debt	\$ 62,306,112	(e)
Direct Debt Ratios:		
As a percentage of the 2023 Certified Taxable Assessed Valuation	31.06	%
As a percentage of the 2024 Certified Taxable Assessed Valuation	11.70	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024....	9.51	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2023 Certified Taxable Assessed Valuation	65.97	%
As a percentage of the 2024 Certified Taxable Assessed Valuation	24.85	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024....	20.19	%
Road Debt Service Fund Balance (as of August 8, 2024).....	\$ 383,517	(f)
Utility Debt Service Fund Balance (as of August 8, 2024).....	\$ 208,170	(g)
General Fund Balance (as of August 8, 2024).....	\$ 897,255	
Utility Capital Projects Fund Balance (as of August 8, 2024)	\$ 64,468	
Road Capital Projects Fund Balance (as of August 8, 2024)	\$ 9,342	

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- (a) Represents the taxable assessed valuation as of January 1, 2023, of all taxable property in the District, as provided by the Waller County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES" and "TAX DATA."
- (b) Represents the taxable assessed valuation as of January 1, 2024, of all taxable property in the District, as provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only. Represents new construction within the District from January 1, 2024 to May 1, 2024. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (d) This amount includes the issuance of the District's \$11,650,000 Unlimited Tax Bonds, which closed on September 12, 2024.
- (e) 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 principal amount of Contract Revenue Bonds and \$16,395,000 principal amount of Contract Revenue Road Bonds anticipated to be issued by the Regional District with a closing date scheduled for September 26, 2024. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement" and "REGIONAL DISTRICT CONTRACT."
- (f) Does not include twelve (12) months of capitalized interest on the Bonds to be deposited into the District's Road Debt Service Fund (defined herein) upon closing and delivery of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (defined herein). Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
- (g) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility Debt Service Fund. Funds in the Utility Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (including the Bonds).

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2023 Tax Rate per \$100 of taxable assessed valuation		
Debt Service	\$	0.05
Contract.....		0.58 (a)
Maintenance and Operations		<u>0.87</u>
Total	\$	1.50 (b)
Average Annual Debt Service Requirement (2025–2050)	\$	1,897,304 (c)
Maximum Annual Debt Service Requirement (2049).....	\$	2,000,350 (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 2023 Certified Taxable Assessed Valuation.....	\$	2.12
Based on 2024 Certified Taxable Assessed Valuation	\$	0.80
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	\$	0.65
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 2023 Certified Taxable Assessed Valuation.....	\$	2.23
Based on 2024 Certified Taxable Assessed Valuation	\$	0.84
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	\$	0.69
Single-Family Homes (including 127 under construction) as of May 1, 2024.....		857

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- (a) Tax revenues from the District’s levy of a contract tax rate are used by the District to make payments to the Regional District for the District’s share of debt service for Contract Revenue Bonds issued by the Regional District for 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 October 16, 2024, all \$53,215,000 principal amount of such prior issuances of bonds by the Regional District will remain outstanding. The Regional District anticipates that it will issue its \$15,770,000 Contract Revenue Bonds, Series 2024 and \$16,395,000 Contract Revenue Road Bonds, Series 2024, which are scheduled to close on September 26, 2024 for the purpose of acquiring or constructing Regional District Facilities. See “THE BONDS – Issuance of Additional Debt” and “REGIONAL DISTRICT CONTRACT.”
- (b) The District has authorized the publication of its intent to levy a 2024 total tax rate of \$1.50 per \$100 of assessed valuation. Such tax rate is expected to be composed of the following: a utility debt service tax rate of \$0.27 per \$100 of assessed valuation; a road debt service tax rate of \$0.24 per \$100 of assessed valuation; contract tax rate of \$0.56 per \$100 of assessed valuation and a maintenance and operations tax rate of \$0.43 per \$100 of assessed valuation. See “TAX DATA – Tax Rate Distribution.”
- (c) Requirement of debt service on the Outstanding Bonds (defined herein) and the Bonds. See “DISTRICT DEBT—Debt Service Requirement Schedule.”

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 37

**\$7,705,000
Unlimited Tax Road Bonds
Series 2024**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Waller County Municipal Utility District No. 37 (the “District”) of its \$7,705,000 Unlimited Tax Road Bonds, Series 2024 (the “Bonds”).

The Bonds are issued by the District pursuant to the terms and conditions of a resolution authorizing the issuance of the Bonds (the “Bond Resolution”), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an election held in the District on May 1, 2021.

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

There follows in this Official Statement descriptions of the Bonds, the Developers (as herein defined), the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 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 Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to the District’s Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated October 1, 2024 (the “Dated Date”), and will accrue interest from the initial date of delivery, which is expected to be on or about October 10, 2024 (the “Date of Delivery”), with interest payable March 1, 2025, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on September 1 of the years shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Regions Bank, an Alabama banking corporation, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices,

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, 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 Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, 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 Bondholder.

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

Redemption of the Bonds

Optional Redemption

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

Mandatory Redemption

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

\$600,000 Term Bond Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 295,000
September 1, 2039 (Maturity)	\$ 305,000

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 Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of the Term Bond 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 Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and an election held in the District on May 1, 2021.

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: \$122,760,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities (the "Utility System"); \$36,828,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$117,145,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); \$35,144,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$40,545,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in the District; and \$12,164,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for acquiring or constructing parks and recreational facilities in the District.

The Bonds represent the District's second issuance of unlimited tax bonds for the purpose of acquiring or constructing the Road System. After the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$103,655,000 for the purpose of acquiring or constructing the Road System; \$35,144,000 for the purpose of refunding bonds issued by the District for the Road System; \$106,915,000 for the purpose of acquiring or constructing the Utility System; \$36,828,000 for the purpose of refunding bonds issued by the District for the Utility System; \$40,545,000 for the purpose of acquiring or constructing parks and recreational facilities in the District; and \$12,164,000 for the purpose of refunding bonds issued by the District for acquiring or constructing parks and recreational facilities in the District.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued for the Utility System or for recreational facilities, approved by Texas Commission on Environmental Quality (the "TCEQ")).

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 a 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 (2) series of unlimited tax bonds for Utility System purposes, and one (1) series of unlimited tax bonds for Road System purposes. Of such series of bonds, \$21,630,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Bonds").

Payment Record

The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, fees of the Paying Agent/Registrar and fees of appraisal district. Tax proceeds, after deduction for collection costs, will be placed in the Road Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Road System, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

Funds

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

Funds in the separate account created in respect of unlimited tax bonds issued for the Utility System (the "Utility Debt Service Fund") are to be used for payment of debt service on the Outstanding Bonds issued for the Utility System and any additional bonds issued for the Utility System hereafter issued and payable in whole or part from taxes. Amounts on deposit in the Utility 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 Utility System and any additional bonds hereafter issued for the Utility System and payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on such bonds, together with interest thereon, as such tax anticipation notes become due. Funds on deposit in the Utility Debt Service Fund will not be allocated to the payment of the 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.

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Registered Owners’ Remedies

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

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

Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used by the District to reimburse Astro Sunterra (herein defined) for the costs of road improvements and related costs as set forth below. Additionally, proceeds of the Bonds will be used to pay for twelve (12) months of capitalized interest on the Bonds, developer interest, and costs associated with the issuance of the Bonds.

CONSTRUCTION COSTS		Amount
A. Developer Contribution Items		
1.	Sunterra Section 29 – Paving	\$ 892,131
2.	Sunterra Section 30 – Paving	1,107,505
3.	Sunterra Section 32 – Paving	1,301,923
4.	Sunterra Section 29 & 30 – Paving	58,215
5.	Sunterra Section 28 – Paving	321,360
6.	Sunterra Section 20 – Paving	411,283
7.	Sunterra Section 14 – Paving	13,600
8.	Sunterra Section 16 – Paving	23,320
9.	Sunterra Section 15 – Paving	16,562
10.	Land Cost for Right of Way	<u>2,215,032</u>
	Total Developer Contribution Items	\$ 6,360,931
B. District Items		
1.	None	-
	Total District Items	\$ -
	Total Construction Costs	<u>\$ 6,360,931</u>
NON-CONSTRUCTION COSTS		
A.	Legal Fees	\$ 194,100
B.	Fiscal Agent Fees	154,100
C.	Capitalized Interest	308,200
D.	Developer Interest	356,900
E.	Bond Discount	222,601
F.	Bond Issuance Expenses	31,094
G.	Engineer Fees	20,500
H.	Attorney General’s Fee	7,705
I.	Contingency (a)	<u>48,869</u>
	Total Non-Construction Costs	\$ 1,344,069
TOTAL BOND ISSUE REQUIREMENT		\$ 7,705,000

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

The actual amounts to be reimbursed by the District and the nonconstruction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. As illustrated in this Official Statement under the caption “TAX DATA—Principal Taxpayers,” the District’s top ten principal taxpayers owned property located within the District the aggregate assessed valuation of which comprised approximately 11.63% of the District’s total 2024 Certified Taxable Assessed Valuation. In the event that the Developers, homebuilders, any principal taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See “TAX DATA—Principal Taxpayers” and “TAXING PROCEDURES—Levy and Collection of Taxes.”

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation of the District as of January 1, 2023, is \$94,447,092, the taxable assessed valuation of the District as of January 1, 2024, is \$250,728,087, and the estimate of value as of May 1, 2024, is \$308,601,676. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$2,000,350 (2049) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,897,304 (2025–2050).

Assuming no increase to nor decrease from the 2023 Certified Taxable Assessed Valuation, tax rates of \$2.23 and \$2.12 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. Based on the

District's 2024 Certified Taxable Assessed Valuation and no use of funds on hand, a tax rate of \$0.84 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$0.80 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Assuming no increase to nor decrease from the Estimated Taxable Assessed Valuation as of May 1, 2024, tax rates of \$0.69 and \$0.65 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 of taxable assessed valuation, of which \$0.05 per \$100 of taxable assessed valuation is allocated to utility debt service, \$0.58 per \$100 of taxable assessed valuation is allocated to a contract tax and \$0.87 per \$100 of taxable assessed valuation is allocated to maintenance and operations. Upon closing and delivery of the Bonds, twelve (12) months of capitalized interest on the Bonds will be deposited into the District's Road Debt Service Fund.

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.

Vacant and Under Construction Lots

As of May 1, 2024, there were approximately 342 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 Resolution does not

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

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 Resolution does 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 such election held on May 1, 2021, voters of the District authorized the District's issuance of \$117,145,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System. The Bonds represent the District's second issuance of bonds from such voted authorization, and following the issuance of the Bonds, \$103,655,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued.

At an election held within the District on May 1, 2021, voters of the District authorized the District's issuance of \$122,760,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System. To date, the District has issued two series of bonds from such voted authorization. Following the issuance of the Bonds, \$103,655,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System remains authorized but unissued.

Additionally, voters in the District authorized the issuance of \$35,144,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System; \$36,828,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$40,545,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities in the District; and \$12,164,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for acquiring or constructing parks and recreational facilities in the District. To date, the District has issued no bonds from such voted authorizations.

In the Bond Resolution, 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 Resolution having been authorized by the voters of the District, may be issued by the District from time to time as needed.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately \$8,940,000 for expenditures to construct the Utility System, Road System, and park and recreational facilities in the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District's issuance of bonds for the purpose of acquiring or constructing the Utility System and for acquiring or constructing parks and recreational facilities in the District 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 greater than 3% of the value of taxable property in the District.

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, Harris-Waller Counties Municipal Utility District No. 4 ("MUD 4"), Harris-Waller Counties Municipal Utility District No. 5 ("MUD 5"), Harris County Municipal Utility District No. 569 ("MUD 569"), and Waller County Municipal Utility District No. 35 ("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 (410.07 acres), MUD 4 (140.29 acres), MUD 5 (489.32 acres), MUD 569 (568.04 acres), and MUD 35 (696.16 acres).

The District, MUD 4, MUD 5, 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.

The Regional District anticipates that it will issue its \$15,770,000 Contract Revenue Bonds, Series 2024 and \$16,395,000 Contract Revenue Road Bonds, Series 2024, which are scheduled to close on September 26, 2024 for the purpose of acquiring or constructing Regional District Facilities. 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.

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 Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

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

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

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

National Weather Service Atlas Rainfall Study

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

Potential Impact of Natural Disaster

The District is located approximately 75 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by 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 bidder of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Continuing Compliance with Certain Covenants

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

Changes in Tax Legislation

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

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond

insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “MUNICIPAL BOND INSURANCE.”

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

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

THE DISTRICT

Authority

The District was created by an order adopted by 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 MUD 5.

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 5.

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

The District includes approximately 410.07 acres of land and 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 5, 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
Matthew C. Deal	President	2026
Mark Witcher	Vice President	2026
Brian Welch	Secretary	2028
Leigh Ellis III	Assistant Secretary	2028
David Moriniere	Assistant Vice President	2028

Investment Policy

The District has adopted an Investment Policy (the “Investment Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Public Funds 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 Public Funds 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 Inc. (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.

General Fund Operating Statement

The following is a summary of the District's operating fund activity. For the District's fiscal years ended April 30, 2022 thru April 30, 2024, the figures below are audited and have been prepared based upon information obtained from the District's financial statements for the fiscal year ended April 30, 2022 thru April 30, 2024. See "APPENDIX A." For the District's fiscal year ended April 30, 2021, the figures below are unaudited and have been prepared for inclusion herein based on unaudited reports of the District's operating activities.

	Fiscal Year Ended April 30,			
	2024	2023	2022	2021 (a)
Revenues				
Water Service	\$ 558,631	\$ 61,604	\$ -	\$ -
Sewer Service	230,410	20,627	-	-
Property Taxes	810,359	279,516	121,588	-
Penalties and Interest	23,346	1,316	-	-
Tap Connection and Inspection	1,352,314	614,815	-	-
Miscellaneous	32,506	915	-	-
Investment Earnings	12,124	459	-	4
Total Revenues	\$ 3,019,690	\$ 978,712	\$ 121,588	\$ 4
Expenditures				
Purchased Services	\$ -	\$ -	\$ -	\$ -
Professional Fees	138,787	180,814	89,435	77,830
Contracted Services	829,692	343,083	19,253	2,400
Repairs and Maintenance	220,355	20,522	-	-
Administrative	22,013	18,529	119,017	6,877
Master District Connection Fees	983,323	205,743	-	-
Maintenance Charges	206,956	65,516	-	-
Contractual Obligations	42,633	31,028	-	-
Other	101	1,404	220	-
Total Expenditures	\$ 2,443,860	\$ 866,639	\$ 127,925	\$ 87,107
Revenues Excess (Deficiency)	\$ 575,830	\$ 112,073	\$ (6,337)	\$ (87,103)
Developer Advances	\$ -	\$ -	\$ 37,500	\$ 60,000
Net Change in Fund Balance	\$ 575,830	\$ 112,073	\$ 31,163	\$ (27,103)
Beginning Fund Balance	\$ 116,133	\$ 4,060	\$ (27,103)	\$ -
Ending Fund Balance	\$ 691,963	\$ 116,133	\$ 4,060	\$ (27,103)

(a) Unaudited figures.

DEVELOPMENT OF THE DISTRICT

Approximately 362.66 acres (1,199 lots) in the District have been developed as the single-family residential subdivisions of Sunterra, Sections 14, 15, 16, 20, 22, 23, 24, 25, 28, 29, 30, 31, and 32. As of May 1, 2024, said subdivisions included approximately 730 completed homes (approximately 609 occupied and 121 unoccupied), approximately 127 homes under construction, and approximately 342 vacant developed lots. Such 362.66 acres include approximately 251.55 acres for developed lots and roadways and approximately 111.11 acres of reserves for detention ponds, open space, utilities, and easements.

Development has been completed for all single-family lots in the District, and the thirteen subdivisions referenced above include all the single-family lots on which homes have or will be constructed in the District. Outside of such subdivisions, the remainder of the lands within the District include approximately 10.59 acres for major thoroughfares and collector roads; approximately 0.26 acres for a lift station site; approximately 12.37 acres for detention ponds; approximately 19.24 acres owned by Katy Independent School District, on which construction of a school is planned; and approximately 4.95 acres planned for commercial development.

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 14	17.86	91	82	3	6
Sunterra, Section 15	16.60	79	78	0	1
Sunterra, Section 16	39.25	79	59	10	10
Sunterra, Section 20	7.48	32	30	2	0
Sunterra, Section 22	43.56	53	0	1	52
Sunterra, Section 23	22.05	57	24	13	20
Sunterra, Section 24	26.73	112	84	8	20
Sunterra, Section 25	31.78	125	55	16	54
Sunterra, Section 28	24.90	139	81	19	39
Sunterra, Section 29	48.10	163	97	14	52
Sunterra, Section 30	44.29	96	48	19	29
Sunterra, Section 31	16.22	73	26	10	37
Sunterra, Section 32	<u>23.84</u>	<u>100</u>	<u>66</u>	<u>12</u>	<u>22</u>
Totals	362.66	1,199	730	127	342
Single-Family Developed (a)	362.66				
Major Thoroughfare & Collector Roads	10.59				
Lift Station Site	0.26				
Detention Ponds	12.37				
School Site	19.24				
Commercial Site	<u>4.95</u>				
District Total	410.07				

(a) Such 362.66 acres include 251.55 acres for developed lots and roadways and approximately 111.11 acres of reserves for detention ponds, open space, utilities, and easements.

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 developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a 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.

Astro Sunterra has completed development of all its lands in the District. Approximately 271.13 acres have been developed within the subdivisions of Sunterra, Sections 14, 15, 16, 23, 24, 29, 30, 31, and 32. Such subdivisions include 850 single-family lots. As of July 11, 2024, Astro Sunterra has sold approximately 729 of such 850 lots to homebuilders, leaving approximately 121 lots owned by Astro Sunterra for future sales to homebuilders.

According to Astro Sunterra, the primary assets of Astro Sunterra consist of its land in the Service Area and reimbursements due from the Participants, including the District, and the Regional District. Further, according to Astro Sunterra, it is currently operating with a net income, with its income comprised almost entirely of revenues from the sale of real estate.

HMH Sunterra Land, LLC, a Texas limited liability company ("HMH Sunterra"), is the developer of Sunterra, Sections 20 and 22, which include a total of 85 single-family lots. HMH Sunterra is affiliated with HistoryMaker Homes, a privately owned homebuilder active in the North Texas and Houston markets. HMH Sunterra has completed development of Sunterra, Sections 20 and 22, and HistoryMaker Homes is the homebuilder in the two subdivisions.

BC Sunterra, L.L.C., a Texas limited liability company ("BC Sunterra"), is the developer of Sunterra, Section 25, which includes 125 developed lots. BC Sunterra is affiliated with Davidson Homes, a privately owned homebuilder active in communities located in Texas and throughout the southeastern United States. Davidson Homes is the homebuilder for Sunterra, Section 25.

KB Home Lone Star Inc. (“KB Home Lone Star”), a Texas corporation and an indirect wholly owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol “KBH,” is the developer of Sunterra, Section 28, which includes 139 developed single-family lots. KB Home is the homebuilder for such lots.

Astro Sunterra, HMH Sunterra, BC Sunterra, and KB Home Lone Star 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 future sale of unlimited tax bonds issued by the District, including the Bonds. 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 Anglia Homes, Ashton Woods Homes, Brightland Homes, CastleRock Communities, Chesmar Homes, D.R. Horton, Davidson Homes, HistoryMaker Homes, KB Home, Lennar Homes, LGI Homes, Long Lake, Nuway Homes, and Westin Homes. Prices of new homes being constructed within the District range from approximately \$265,000 to \$580,000 and range in size from approximately 1,400 to 4,000 square feet.

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DISTRICT DEBT

Debt Service Requirements Schedule

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

Calendar Year	Outstanding Debt Service	Plus: The Bonds		Debt Service	Total Debt Service
		Principal	Interest		
2025	\$ 1,199,271	-	\$ 274,812	\$ 274,812	\$ 1,474,083
2026	1,470,531	\$ 175,000	308,200	483,200	1,953,731
2027	1,463,394	180,000	301,200	481,200	1,944,594
2028	1,449,556	190,000	294,000	484,000	1,933,556
2029	1,444,381	200,000	286,400	486,400	1,930,781
2030	1,427,181	205,000	278,400	483,400	1,910,581
2031	1,423,644	215,000	270,200	485,200	1,908,844
2032	1,415,881	225,000	261,600	486,600	1,902,481
2033	1,415,969	235,000	252,600	487,600	1,903,569
2034	1,414,644	245,000	243,200	488,200	1,902,844
2035	1,419,944	255,000	233,400	488,400	1,908,344
2036	1,418,794	270,000	223,200	493,200	1,911,994
2037	1,431,344	280,000	212,400	492,400	1,923,744
2038	1,431,944	295,000	201,200	496,200	1,928,144
2039	1,436,619	305,000	189,400	494,400	1,931,019
2040	1,439,619	320,000	177,200	497,200	1,936,819
2041	1,440,944	335,000	164,400	499,400	1,940,344
2042	1,450,556	350,000	151,000	501,000	1,951,556
2043	1,448,056	365,000	137,000	502,000	1,950,056
2044	1,453,256	380,000	122,400	502,400	1,955,656
2045	1,466,313	400,000	107,200	507,200	1,973,513
2046	1,471,525	415,000	91,200	506,200	1,977,725
2047	1,473,913	435,000	74,600	509,600	1,983,513
2048	1,478,925	455,000	57,200	512,200	1,991,125
2049	1,486,350	475,000	39,000	514,000	2,000,350
2050	780,938	500,000	20,000	520,000	1,300,938
Total	\$36,653,490	\$ 7,705,000	\$ 4,971,412	\$12,676,412	\$49,329,902

Average Annual Debt Service Requirement (2025–2050) \$1,897,304

Maximum Annual Debt Service Requirement (2049) \$2,000,350

Bonded Indebtedness

2023 Certified Taxable Assessed Valuation	\$ 94,447,092	(a)
2024 Certified Taxable Assessed Valuation.....	\$ 250,728,087	(b)
Estimated Taxable Assessed Valuation as of May 1, 2024.....	\$ 308,601,676	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 21,630,000	(d)
The Bonds	\$ <u>7,705,000</u>	
Total.....	\$ 29,335,000	
Estimated Overlapping Debt.....	\$ <u>32,971,112</u>	(e)
Total Direct and Estimated Overlapping Debt	\$ 62,306,112	(e)
Direct Debt Ratios:		
As a percentage of the 2023 Certified Taxable Assessed Valuation	31.06	%
As a percentage of the 2024 Certified Taxable Assessed Valuation	11.70	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	9.51	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2023 Certified Taxable Assessed Valuation	65.97	%
As a percentage of the 2024 Certified Taxable Assessed Valuation	24.85	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	20.19	%
Road Debt Service Fund Balance (as of August 8, 2024).....	\$ 383,517	(f)
Utility Debt Service Fund Balance (as of August 8, 2024).....	\$ 208,170	(g)
General Fund Balance (as of August 8, 2024).....	\$ 897,255	
Utility Capital Projects Fund Balance (as of August 8, 2024).....	\$ 64,468	
Road Capital Projects Fund Balance (as of August 8, 2024)	\$ 9,342	

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- (a) Represents the taxable assessed valuation as of January 1, 2023, of all taxable property in the District, as provided by the Waller County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES" and "TAX DATA."
 - (b) Represents the taxable assessed valuation as of January 1, 2024, of all taxable property in the District, as provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2024 to May 1, 2024. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
 - (d) This amount includes the issuance of the District's \$11,650,000 Unlimited Tax Bonds, which closed on September 12, 2024.
 - (e) 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 principal amount of Contract Revenue Bonds and \$16,395,000 principal amount of Contract Revenue Road Bonds anticipated to be issued by the Regional District with a closing date scheduled for September 26, 2024. See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement" and "REGIONAL DISTRICT CONTRACT."
 - (f) Does not include twelve (12) months of capitalized interest on the Bonds to be deposited into the District's Road Debt Service Fund (defined herein) upon closing and delivery of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (defined herein). Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System.
 - (g) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility Debt Service Fund. Funds in the Utility Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (including the Bonds).

Average Annual Debt Service Requirement (2025–2050)	\$ 1,897,304	(a)
Maximum Annual Debt Service Requirement (2049).....	\$ 2,000,350	(a)
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 2023 Certified Taxable Assessed Valuation.....	\$	2.12
Based on 2024 Certified Taxable Assessed Valuation	\$	0.80
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	\$	0.65
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 2023 Certified Taxable Assessed Valuation.....	\$	2.23
Based on 2024 Certified Taxable Assessed Valuation	\$	0.84
Based on the Estimated Taxable Assessed Valuation as of May 1, 2024	\$	0.69

(a) Requirement of debt service on the Outstanding Bonds and the Bonds. See “Debt Service Requirements Schedule” herein.

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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 July 31, 2024	Overlapping	
		Percent	Amount
Waller County	\$ 67,875,000	2.10%	\$ 1,425,007
Katy Independent School District	2,386,475,000	0.43%	10,226,719
Harris-Waller Counties MUD No. 4 (a)	85,380,000	24.97%	<u>21,319,386</u>
Total Estimated Overlapping Debt			\$ 32,971,112
The District (b).....			<u>\$ 29,335,000</u>
Total Direct & Estimated Overlapping Debt (b).....			\$ 62,306,112

(a) The \$85,380,000 of outstanding debt of Harris-Waller Counties MUD No. 4 is comprised of the \$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 that Harris-Waller Counties MUD No. 4, in its capacity as the Regional District, has issued. Additionally, the \$85,380,000 principal amount includes the \$15,770,000 Contract Revenue Bonds, Series 2024 and \$16,395,000 Contract Revenue Road Bonds, Series 2024, that the Regional District anticipates issuing, with a closing date scheduled for September 26, 2024. The District's 24.97% share of such debt is based on the District's 2024 Gross Assessed Valuation as a percentage of the 2024 Gross Assessed Valuation of the Service Area. See "REGIONAL DISTRICT CONTRACT."

(b) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratios of Direct Debt (a):

As a percentage of the 2023 Certified Taxable Assessed Valuation.....	31.06 %
As a percentage of the 2024 Certified Taxable Assessed Valuation	11.70 %
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	9.51 %

Ratios of Direct and Estimated Overlapping Debt (a):

As a percentage of the 2023 Certified Taxable Assessed Valuation.....	65.97 %
As a percentage of the 2024 Certified Taxable Assessed Valuation	24.85 %
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2024	20.19 %

(a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under “THE BONDS—Source 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 Waller County Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Waller County, including the District. Such appraisal values will be subject to review and change by the Waller County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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

homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

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

Waller County may designate all or part of the area within the District as a reinvestment zone. Thereafter, 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, Waller County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property 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 District 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 District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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

Tax Payment Installments After Disaster

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: For the 2024 tax year, the 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 a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in the Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). For the 2023 tax year, the District levied a total tax rate of \$1.50 per \$100 of taxable assessed valuation, of which \$0.05 per \$100 of taxable assessed valuation is allocated to Utility System debt service, \$0.58 per \$100 of taxable assessed valuation is allocated to a contract tax and \$0.87 per \$100 of taxable assessed valuation is allocated to maintenance and operations. See "Tax Rate Distribution" herein.

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" herein.

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."

For the 2023 tax year, the District levied a tax rate of \$0.58 for payment of the District's contractual obligation to pay costs of the Regional District Facilities.

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

<u>Tax Year</u>	<u>Certified Taxable Value</u>	<u>Tax Rate</u>	<u>Adjusted Tax Levy</u>	<u>Collections Current Year</u>	<u>Current Year Ending 9/30</u>	<u>Collections 05/31/24</u>
2021	\$8,106,427	\$1.500	\$ 121,596	\$100.00%	2022	100.00%
2022	18,607,952	1.500	279,119	100.00%	2023	100.00
2023	94,447,092	1.500	1,416,706	99.19%	2024	99.19

Tax Rate Distribution

	<u>2023 (a)</u>	<u>2022</u>	<u>2021</u>
Road Debt Service	\$ -	\$ -	\$ -
Utility Debt Service	0.005	-	-
Contract Tax	0.580	\$0.000	0.000
Maintenance & Operation	<u>0.870</u>	<u>\$1.500</u>	<u>1.500</u>
Total	\$1.500	\$1.500	\$1.500

(a) The District has authorized the publication of its intent to levy a 2024 total tax rate of \$1.50 per \$100 of assessed valuation. Such tax rate is expected to be composed of the following: a utility debt service tax rate of \$0.27 per \$100 of assessed valuation; a road debt service tax rate of \$0.24 per \$100 of assessed valuation; contract tax rate of \$0.56 per \$100 of assessed valuation and a maintenance and operations tax rate of \$0.43 per \$100 of assessed valuation.

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.

<u>Taxing Jurisdiction</u>	<u>2023 Tax Rate</u>
Waller County	\$0.498691
Waller County Road	0.024252
Waller-Harris ESD No. 200	0.086301
Brookshire-Katy Drainage District	0.060420
Katy Independent School District	1.119400
The District (a)	<u>1.500000</u>
Estimated Total Tax Rate	\$3.289064

(a) The District has authorized the publication of its intent to levy a 2024 total tax rate of \$1.50 per \$100 of assessed valuation. Such tax rate is expected to be composed of the following: a utility debt service tax rate of \$0.27 per \$100 of assessed valuation; a road debt service tax rate of \$0.24 per \$100 of assessed valuation; contract tax rate of \$0.56 per \$100 of assessed valuation and a maintenance and operations tax rate of \$0.43 per \$100 of assessed valuation.

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 Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the 2023 Certified Taxable Assessed Valuation (\$94,447,092), 2024 Certified Taxable Assessed Valuation (\$250,728,087) or the Estimated Taxable Assessed Valuation as of May 1, 2024 (\$308,601,676). 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)	\$ 1,897,304
Tax Rate of \$2.12 on the 2023 Certified Taxable Assessed Valuation produces	\$ 1,902,164
Tax Rate of \$0.80 on the 2024 Certified Taxable Assessed Valuation produces	\$ 1,905,533
Tax Rate of \$0.65 on the Estimated Taxable Assessed Valuation as of May 1, 2024 produces	\$ 1,905,615
Maximum Annual Debt Service Requirement (2049)	\$2,000,350
Tax Rate of \$2.23 on the 2023 Certified Taxable Assessed Valuation produces	\$ 2,000,862
Tax Rate of \$0.84 on the 2024 Certified Taxable Assessed Valuation produces	\$ 2,000,810
Tax Rate of \$0.69 on the Estimated Taxable Assessed Valuation as of May 1, 2024 produces	\$ 2,022,884

Taxable Assessed Valuation Summary

The following represents the types of property comprising the District taxable assessed value for each of the 2021–2024 tax years.

Type of Property	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation
Land	\$ 74,110,233	\$ 77,596,417	\$18,351,960	\$ 7,937,030
Improvements	187,425,804	19,572,318	0	97,060
Personal Property	818,872	217,791	306,390	131,898
Exemptions	<u>(11,626,822)</u>	<u>(2,939,434)</u>	<u>(50,398)</u>	<u>(59,561)</u>
Total	\$ 250,728,087	\$ 94,447,092	\$18,607,952	\$ 8,106,427

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2024 tax year.

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll	Percent of 2024 Roll
Westin Homes and Properties (b)	Land & Improvement	\$ 4,656,418	1.86%
Davidson Homes LLC (b)	Land & Improvement	3,479,410	1.39%
DR Horton-Texas LTD (b)	Land & Improvement	3,067,689	1.22%
LGI Homes-Texas LLC (b)	Land & Improvement	2,987,440	1.19%
Castlerock Communities LLC (b)	Land & Improvement	2,705,166	1.08%
Chesmar Homes LLC (b)	Land & Improvement	2,692,957	1.07%
HMH Lifestyles LP (b)	Land & Improvement	2,436,000	0.97%
KB Home Inc (a)	Land & Improvement	2,428,041	0.97%
H&B Land Holdings LLC	Land & Improvement	2,405,000	0.96%
VPDHL Sunterra LB LLC (a)	Land & Improvement	2,312,412	0.92%
Total		\$ 29,170,533	11.63%

(a) See "THE DEVELOPERS—Developers."

(b) See "THE DEVELOPERS—Homebuilders within the District."

REGIONAL DISTRICT CONTRACT

Each of the Participants, including the District, has executed the 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, \$14,250,000 Contract Revenue Bonds, Series 2023, and \$16,085,000 Contract Revenue Road Bonds, Series 2023.

The Regional District anticipates that it will issue its \$15,770,000 Contract Revenue Bonds, Series 2024 and \$16,395,000 Contract Revenue Road Bonds, Series 2024 with a closing date scheduled on September 26, 2024 for the purpose of acquiring or constructing Regional Road District Facilities.

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, 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-pneumatic 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); 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.

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 Bond Proceeds”), “THE DISTRICT—Authority,” “TAXING PROCEDURES,” “THE UTILITY SYSTEM—Wholesale Agreement for Water and Wastewater Service,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In

rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

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

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

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

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the 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 Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and

the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

NOT Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has 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 Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The Bonds are the fourth issuance of bonded indebtedness by the District. The District has complied in all material respects with its continuing disclosure undertakings 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 financial statements for the fiscal year ended April 30, 2024.

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, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Bob Leared Interests and the Appraisal District. 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 District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser,

unless the Initial Purchaser 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 Waller County Municipal Utility District No. 37 as of the date shown on the cover page hereof.

/s/ Mark Witcher
Vice President, Board of Directors
Waller County Municipal Utility District No. 37

ATTEST:

/s/ Brian Welch
Secretary, Board of Directors
Waller County Municipal Utility District No. 37

APPENDIX A
Financial Statements of the District

**WALLER COUNTY MUNICIPAL
UTILITY DISTRICT NO. 37**

WALLER COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Waller County Municipal Utility District No. 37
Waller County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waller County Municipal Utility District No. 37 (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 Waller County Municipal Utility District No. 37, 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

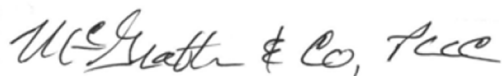
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part 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

***Board of Directors
Waller County Municipal Utility District No. 37
Waller County, Texas***

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

Supplementary Information

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



Houston, Texas
August 8, 2024

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Management's Discussion and Analysis

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***Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024***

Using this Annual Report

Within this section of the financial report of Waller County Municipal Utility District No. 37 (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.

***Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024***

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 \$12,401,867. This amount is negative primarily because the District incurs debt to construct public roads which it conveys to the 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	\$ 1,946,547	\$ 411,288
Capital assets	19,661,288	13,010,773
Total assets	<u>21,607,835</u>	<u>13,422,061</u>
Current liabilities	6,907,276	2,427,780
Long-term liabilities	27,102,426	20,064,040
Total liabilities	<u>34,009,702</u>	<u>22,491,820</u>
Net position		
Net investment in capital assets	(2,790,033)	(453,355)
Restricted	390,010	
Unrestricted	(10,001,844)	(8,616,404)
Total net position	<u>\$ (12,401,867)</u>	<u>\$ (9,069,759)</u>

Waller County Municipal Utility District No. 37
Management's Discussion and Analysis
April 30, 2024

The total net position of the District decreased during the current fiscal year by \$3,332,108. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 1,445,487	\$ 280,838
Water and sewer service	789,041	81,691
Other	1,429,149	616,240
Total revenues	<u>3,663,677</u>	<u>978,769</u>
Expenses		
Current service operations	1,365,757	570,932
Debt interest and fees	448,903	40,882
Developer interest	563,150	
Debt issuance costs	983,014	44,700
Intergovernmental	1,771,246	302,287
Depreciation	634,099	333,610
Total expenses	<u>5,766,169</u>	<u>1,292,411</u>
Change in net position before other item	(2,102,492)	(313,642)
Other item		
Transfers to other governments	<u>(1,229,616)</u>	<u>(8,662,685)</u>
Change in net position	(3,332,108)	(8,976,327)
Net position, beginning of year	<u>(9,069,759)</u>	<u>(93,432)</u>
Net position, end of year	<u>\$ (12,401,867)</u>	<u>\$ (9,069,759)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2024, were \$1,361,823, which consists of \$752,963 in the General Fund, \$598,922 in the Debt Service Fund, and \$9,938 in the Capital Projects Fund.

Waller County Municipal Utility District No. 37
Management’s Discussion and Analysis
April 30, 2024

General Fund

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

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,327,307</u>	<u>\$ 393,045</u>
Total liabilities	\$ 562,984	\$ 276,898
Total deferred inflows	11,360	14
Total fund balance	<u>752,963</u>	<u>116,133</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,327,307</u>	<u>\$ 393,045</u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 3,019,690	\$ 978,712
Total expenditures	<u>(2,443,860)</u>	<u>(866,639)</u>
Revenues over expenditures	575,830	112,073
Other changes in fund balance	61,000	
Net change in fund balance	<u>\$ 636,830</u>	<u>\$ 112,073</u>

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

During the current fiscal year, the Capital Projects Fund transferred \$61,000 to the General Fund to reimburse bond application costs incurred in the prior fiscal year.

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Management's Discussion and Analysis
April 30, 2024

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of April 30, 2024 is as follows:

Total assets	<u>\$ 609,302</u>
Total deferred inflows	\$ 10,380
Total fund balance	<u>598,922</u>
Total deferred inflows and fund balance	<u>\$ 609,302</u>

A summary of activities of the Debt Service Fund for the current fiscal year is as follows:

Total revenues	\$ 616,267
Total expenditures	<u>(770,261)</u>
Revenues under expenditures	(153,994)
Other changes in fund balance	<u>752,916</u>
Net change in fund balance	<u>\$ 598,922</u>

The District's financial resources in the Debt Service Fund are from property tax revenues and capitalized interest from the sale of bonds. 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:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 9,938</u>	<u>\$ 18,243</u>
Total fund balance	<u>\$ 9,938</u>	<u>\$ 18,243</u>

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

	2024	2023
Total revenues	\$ 5,995	\$ 51
Total expenditures	(13,146,634)	(2,043,058)
Revenues under expenditures	(13,140,639)	(2,043,007)
Other changes in fund balance	13,132,334	2,061,250
Net change in fund balance	<u>\$ (8,305)</u>	<u>\$ 18,243</u>

The District has had considerable capital asset activity in the last two fiscal years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds, Series 2023 Unlimited Tax Road Bonds and Series 2023 Bond Anticipation Note in the current fiscal year and proceeds from the issuance of its Series 2022 Bond Anticipation Note in the prior fiscal 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 \$110,851 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 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.

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

	<u>2024</u>	<u>2023</u>
Capital assets being depreciated		
Infrastructure	\$ 15,894,099	\$ 13,344,383
Landscaping improvements	4,734,898	
	<u>20,628,997</u>	<u>13,344,383</u>
Less accumulated depreciation		
Infrastructure	(730,964)	(333,610)
Landscaping improvements	(236,745)	
	<u>(967,709)</u>	<u>(333,610)</u>
Capital assets, net	<u>\$ 19,661,288</u>	<u>\$ 13,010,773</u>

Capital asset additions during the current fiscal year include the following:

- Utilities to serve Sunterra Sections 18, 19, 20 and 32
- Driveway paving to serve Sunterra Sections 29 and 30
- Hardscape, landscape, and irrigation to serve Sunterra Sections 14-16, 20, 22-25, and 28-30 and Sunterra Drill Site at Section 11

Additionally, Waller County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the 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 \$1,229,616 have been recorded as transfers to other governments in the government-wide statements. Additional information is present in Note 10.

Long-Term Debt and Related Liabilities

As of April 30, 2024, the District owes approximately \$17,122,426 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 \$720,094 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.

During the current fiscal year, the District issued \$4,195,000 in unlimited tax bonds and \$5,785,000 unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of April 30, 2023.

***Waller County Municipal Utility District No. 37
 Management’s Discussion and Analysis
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At April 30, 2024, the District had \$118,565,000 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 \$36,828,000 for the refunding of such bonds; \$40,545,000 for parks and recreational facilities and \$12,164,000 for the refunding of such bonds; \$111,360,000 for road improvements and \$35,144,000 for the refunding of such bonds.

Additionally, during the current fiscal year, the District issued a \$6,125,000 bond anticipation note (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:

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 3,019,690	\$ 2,278,900
Total expenditures	<u>(2,443,860)</u>	<u>(1,880,956)</u>
Revenues over expenditures	575,830	397,944
Other changes in fund balance	<u>61,000</u>	<u> </u>
Net change in fund balance	636,830	397,944
Beginning fund balance	<u>116,133</u>	<u>752,963</u>
Ending fund balance	<u><u>\$ 752,963</u></u>	<u><u>\$ 1,150,907</u></u>

Property Taxes

The District’s property tax base increased approximately \$166,360,000 for the 2024 tax year from \$94,447,092 to \$260,806,316. This increase was primarily due to new construction in the District and increased property values.

Basic Financial Statements

Waller County Municipal Utility District No. 37
Statement of Net Position and Governmental Fund Balance Sheet
April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 352,869	\$ 28,505	\$ 15,024	\$ 396,398	\$ -	\$ 396,398
Investments	694,925	592,738	60,914	1,348,577		1,348,577
Taxes receivable	11,360	10,380		21,740		21,740
Customer service receivables	116,500			116,500		116,500
Internal balances	88,355	(22,355)	(66,000)			
Builder damages receivable	61,286			61,286		61,286
Other receivables		34		34		34
Prepaid items	2,012			2,012		2,012
Capital assets, net					19,661,288	19,661,288
Total Assets	\$ 1,327,307	\$ 609,302	\$ 9,938	\$ 1,946,547	19,661,288	21,607,835
Liabilities						
Accounts payable	\$ 261,201	\$ -	\$ -	\$ 261,201		261,201
Customer deposits	227,613			227,613		227,613
Unearned revenue	72,361			72,361		72,361
Other payables	1,809			1,809		1,809
Accrued interest payable					219,292	219,292
Bond anticipation note payable					6,125,000	6,125,000
Due to developers					17,122,426	17,122,426
Long-term debt						
Due after one year					9,980,000	9,980,000
Total Liabilities	562,984			562,984	33,446,718	34,009,702
Deferred Inflows of Resources						
Deferred property taxes	11,360	10,380		21,740	(21,740)	
Fund Balance/Net Position						
Fund Balance						
Nonspendable	2,012			2,012	(2,012)	
Restricted		598,922	9,938	608,860	(608,860)	
Unassigned	750,951			750,951	(750,951)	
Total Fund Balances	752,963	598,922	9,938	1,361,823	(1,361,823)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,327,307	\$ 609,302	\$ 9,938	\$ 1,946,547		
Net Position						
Net investment in capital assets					(2,790,033)	(2,790,033)
Restricted for debt service					390,010	390,010
Unrestricted					(10,001,844)	(10,001,844)
Total Net Position					\$ (12,401,867)	\$ (12,401,867)

See notes to basic financial statements.

Waller County Municipal Utility District No. 37

Statement of Activities and Governmental Fund 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	\$ 558,631	\$ -	\$ -	\$ 558,631	\$ -	\$ 558,631
Sewer service	230,410			230,410		230,410
Property taxes	810,359	586,776		1,397,135	19,571	1,416,706
Penalties and interest	23,346	3,281		26,627	2,154	28,781
Tap connection and inspection	1,352,314			1,352,314		1,352,314
Miscellaneous	32,506			32,506		32,506
Investment earnings	12,124	26,210	5,995	44,329		44,329
Total Revenues	3,019,690	616,267	5,995	3,641,952	21,725	3,663,677
Expenditures/Expenses						
Current service operations						
Professional fees	138,787		119,860	258,647		258,647
Contracted services	829,692	25,811		855,503		855,503
Repairs and maintenance	220,355			220,355		220,355
Administrative	22,013	8,668		30,681		30,681
Other	101		470	571		571
Capital outlay			11,407,094	11,407,094	(11,407,094)	
Debt service						
Interest and fees		197,448	73,046	270,494	178,409	448,903
Developer interest			563,150	563,150		563,150
Debt issuance costs			983,014	983,014		983,014
Intergovernmental						
Master District connection fees	983,323			983,323		983,323
Maintenance charges	206,956			206,956		206,956
Contractual obligations	42,633	538,334		580,967		580,967
Depreciation					634,099	634,099
Total Expenditures/Expenses	2,443,860	770,261	13,146,634	16,360,755	(10,594,586)	5,766,169
Revenues Over/(Under) Expenditures/Expenses	575,830	(153,994)	(13,140,639)	(12,718,803)	10,616,311	(2,102,492)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		752,916	9,227,084	9,980,000	(9,980,000)	
Proceeds from bond anticipation note			6,125,000	6,125,000	(6,125,000)	
Repayment of bond anticipation note			(2,110,000)	(2,110,000)	2,110,000	
Internal transfers	61,000		(61,000)			
Repayment of operating advances			(48,750)	(48,750)	48,750	
Other Item						
Transfers to other governments					(1,229,616)	(1,229,616)
Net Change in Fund Balance	636,830	598,922	(8,305)	1,227,447	(1,227,447)	
Change in Net Position					(3,332,108)	(3,332,108)
Fund Balance/Net Position						
Beginning of the year	116,133		18,243	134,376	(9,204,135)	(9,069,759)
End of the year	\$ 752,963	\$ 598,922	\$ 9,938	\$ 1,361,823	\$ (13,763,690)	\$ (12,401,867)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Waller County Municipal Utility District No. 37 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant the 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, and 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 July 30, 2020 the voters of the District approved a proposition dividing the District into three districts: the District, Harris - Waller Counties Municipal Utility District No. 4 (“MUD 4”) and Harris-Waller Counties Municipal Utility District No. 5 (“MUD 5”). The Board of Directors held its first meeting on August 11, 2020, and the first bonds were issued on August 15, 2023.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, and park and recreational 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, drainage and road and park and recreational 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:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	40 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 property taxes levied for debt service and capitalized interest from the sale of bonds 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 the 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.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	1,361,823
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 20,628,997	
Less accumulated depreciation	<u>(967,709)</u>	
Change due to capital assets		19,661,288

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:

Bonds payable, net	(9,980,000)	
Bond anticipation note payable	(6,125,000)	
Interest payable on bonds	<u>(219,292)</u>	
Change due to long-term debt		(16,324,292)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(17,122,426)
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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.		21,740
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Total net position - governmental activities	<u>\$</u>	<u>(12,401,867)</u>
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Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

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

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

Net change in fund balances - total governmental funds \$ 1,227,447

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 related penalties and interest. 21,725

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.

Capital outlays	\$ 11,407,094	
Depreciation expense	(634,099)	
	10,772,995	10,772,995

The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.

Issuance of long-term debt	(9,980,000)	
Issuance of bond anticipation note	(6,125,000)	
Repayment of bond anticipation note	2,110,000	
Interest expense accrual	(178,409)	
	(14,173,409)	(14,173,409)

Amounts repaid to the District's developers for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 48,750

The District constructs roads which are accepted into the public road system of Waller County. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (1,229,616)

Change in net position of governmental activities	\$ (3,332,108)	
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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.

Use of Surplus Funds

During the current fiscal year, the TCEQ approved the District's use of surplus funds in the amount of \$228,417 from the Series 2023 Unlimited Tax Bonds to reimburse its developers for the cost of capital assets constructed within the District.

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.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments (continued)

Investments (continued)

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

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 694,925	AAAm	38 days
	Debt Service	592,738		
	Capital Projects	60,914		
		<u>\$ 1,348,577</u>		

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	\$ 22,355	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	66,000	Bond application fees paid by the General Fund

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 4 – Interfund Balances and Transactions (continued)

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

During the current fiscal year, the Capital Projects Fund transferred \$61,000 to the General Fund to reimburse bond application costs incurred in the prior 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 being depreciated			
Infrastructure	\$ 13,344,383	\$ 2,549,716	\$ 15,894,099
Landscaping improvements		4,734,898	4,734,898
	<u>13,344,383</u>	<u>7,284,614</u>	<u>20,628,997</u>
Less accumulated depreciation			
Infrastructure	(333,610)	(397,354)	(730,964)
Landscaping improvements		(236,745)	(236,745)
	<u>(333,610)</u>	<u>(634,099)</u>	<u>(967,709)</u>
Capital assets, net	<u>\$ 13,010,773</u>	<u>\$ 6,650,515</u>	<u>\$ 19,661,288</u>

Depreciation expense for the current fiscal year was \$634,099.

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 \$2,110,000. This BAN was repaid on August 15, 2023, with proceeds from the issuance of the District’s Series 2023 Unlimited Tax Bonds.

On December 21, 2023, the District issued a \$6,125,000 BAN with an interest rate of 6.17%, which is due on December 20, 2024.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 6 – Bond Anticipation Note (continued)

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

Beginning balance	\$ 2,110,000
Amounts borrowed	6,125,000
Amounts repaid	<u>(2,110,000)</u>
Ending balance	<u>\$ 6,125,000</u>

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 developers are reimbursed.

The District’s developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 20,064,040
Developer reimbursements	(11,407,094)
Developer funded construction and adjustments	8,514,230
Repayment of operating advances	<u>(48,750)</u>
Due to developers, end of year	<u>\$ 17,122,426</u>

In addition, the District will owe the developers approximately \$720,094, 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	Percent Complete
Sunterra Section 31 - hardscape, landscaping and irrigation	\$ 381,452	95%
Sunterra Section 32 - hardscape, landscaping and irrigation	<u>338,642</u>	95%
	<u>\$ 720,094</u>	

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 9,980,000</u>
Due within one year	<u>\$ -</u>

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
2023	\$ 4,195,000	\$ 4,195,000	4.00% - 6.50%	September 1, 2025/2049	September 1, March 1,	September 1, 2030
2023 Road	5,785,000	5,785,000	4.75% - 7.25%	September 1, 2025/2049	September 1, March 1,	September 1, 2030
	<u>\$ 9,980,000</u>					

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 \$118,565,000 for water, sewer and drainage facilities and \$36,828,000 for the refunding of such bonds; \$40,545,000 for park and recreational facilities and \$12,164,000 for the refunding of such bonds; and \$111,360,000 for road improvements and \$35,144,000 for refunding of such bonds.

On August 15, 2023, the District issued its \$4,195,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.522648%. Proceeds of the bonds were used (1) 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; (2) to repay a 2022 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

Additionally, on November 14, 2023, the District issued its \$5,785,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 5.219417%. Proceeds of the bonds were used (1) to reimburse developers for the cost of roads constructed within the District and the acquisition of land for certain District facilities, (2) to pay developer expense at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 8 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$	-
Bonds issued		9,980,000
Bonds payable, end of year	<u>\$</u>	<u>9,980,000</u>

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

Year	Principal	Interest	Totals
2025	\$ -	\$ 501,944	\$ 501,944
2026	210,000	494,894	704,894
2027	220,000	480,224	700,224
2028	230,000	464,624	694,624
2029	240,000	448,319	688,319
2030	255,000	431,144	686,144
2031	265,000	413,100	678,100
2032	285,000	394,025	679,025
2033	295,000	375,988	670,988
2034	310,000	359,269	669,269
2035	325,000	343,256	668,256
2036	340,000	328,031	668,031
2037	355,000	312,131	667,131
2038	380,000	295,307	675,307
2039	395,000	277,844	672,844
2040	415,000	259,882	674,882
2041	435,000	241,044	676,044
2042	455,000	221,313	676,313
2043	480,000	200,569	680,569
2044	500,000	178,518	678,518
2045	525,000	155,147	680,147
2046	555,000	130,381	685,381
2047	585,000	103,881	688,881
2048	610,000	75,881	685,881
2049	640,000	46,600	686,600
2050	675,000	15,806	690,806
	<u>\$ 9,980,000</u>	<u>\$ 7,549,122</u>	<u>\$ 17,529,122</u>

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 9 – Property Taxes

On May 11, 2021, 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. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 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 \$0.87 was allocated to maintenance and operations, \$0.05 was allocated to debt service, and \$0.58 was allocated to contract tax. The resulting tax levy was \$1,416,706 on the adjusted taxable value of \$94,447,092.

Note 10 – Transfers to Other Governments

Waller County assumes responsibility for the maintenance of public roads constructed within the 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 \$1,229,616 for road facilities constructed by a developer within the District and adjustments to the value of road facilities completed in previous fiscal years.

Note 11 – Master District

On November 17, 2020, (amended effective February 1, 2021) the District entered into a contract for Financing, Operation, and Maintenance of Regional Facilities (the “Contract”) with Harris - Waller Counties MUD No. 4 (the “Master District”) whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities and the wastewater collection, treatment and disposal facilities, drainage, and road facilities necessary to serve all participant districts located within the Master District’s service area. The term of the Contract is 40 years.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

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 an amount calculated by multiplying the monthly fee (as defined below) by three in order 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 \$60,925 for an operating 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 ("ESFCs") reserved to the District.

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 annual 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 16.39%. 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 \$983,323;
- Monthly charges for mowing expenses in the amount of \$206,956; and
- Contractual obligations for Master District debt service requirements in the amount of \$580,967.

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 three prior years.

Waller County Municipal Utility District No. 37
Notes to Financial Statements
April 30, 2024

Note 13 – Subsequent Event

On August 8, 2024, the District approved the sale of its Series 2024 Unlimited Tax Bonds in the amount of \$11,650,000. Proceeds from the bonds will be used to reimburse the District’s developers for infrastructure improvements in the District.

Additionally, on August 8, 2024, the District approved a preliminary official statement and notice of sale for its Series 2024 Unlimited Tax Road Bonds in the amount of \$7,705,000. The acceptance of bids and award of sale is scheduled for September 12, 2024. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in “Due to developer.”

Required Supplementary Information

Waller County Municipal Utility District No. 37
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	\$ 291,384	\$ 291,384	\$ 558,631	\$ 267,247
Sewer service	242,820	242,820	230,410	(12,410)
Property taxes	430,000	812,000	810,359	(1,641)
Penalties and interest	1,000	1,000	23,346	22,346
Tap connection and inspection	594,900	594,900	1,352,314	757,414
Miscellaneous	2,000	2,000	32,506	30,506
Investment earnings			12,124	12,124
Total Revenues	1,562,104	1,944,104	3,019,690	1,075,586
Expenditures				
Current service operations				
Professional fees	136,000	136,000	138,787	(2,787)
Contracted services	439,496	613,496	829,692	(216,196)
Repairs and maintenance	25,000	25,000	220,355	(195,355)
Administrative	25,600	25,600	22,013	3,587
Other	3,000	3,000	101	2,899
Intergovernmental				
Master District connection fees	549,710	549,710	983,323	(433,613)
Maintenance charges	65,319	65,319	206,956	(141,637)
Contractual obligations			42,633	(42,633)
Total Expenditures	1,244,125	1,418,125	2,443,860	(1,025,735)
Revenues Over Expenditures	317,979	525,979	575,830	49,851
Other Financing Sources				
Internal transfers			61,000	61,000
Net Change in Fund Balance	317,979	525,979	636,830	110,851
Fund Balance				
Beginning of the year	116,133	116,133	116,133	
End of the year	\$ 434,112	\$ 642,112	\$ 752,963	\$ 110,851

Waller County Municipal Utility District No. 37
Notes to Required Supplementary Information
April 30, 2024

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

Waller County Municipal Utility District No. 37
TSI-1. Services and Rates
April 30, 2024

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 57.00	10,000	N	\$ 4.30	10,001 to no limit
Wastewater:	\$ 47.50	N/A	Y		

District employs winter averaging for wastewater usage? Yes 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"	919	907	x 1.0	907
1"			x 2.5	
1.5"			x 5.0	
2"	18	18	x 8.0	144
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	937	925		1,051
Total Wastewater	919	907	x 1.0	907

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-1. Services and Rates
April 30, 2024

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

*Gallons purchased into system:	<u>75,679,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>75,679,000</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

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

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? _____

*Purchased from Harris - Waller Counties Municipal Utility District No. 4

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-2. General Fund Expenditures
For the Year Ended April 30, 2024

Professional fees	
Legal	\$ 78,758
Audit	13,000
Engineering	47,029
	<u>138,787</u>
Contracted services	
Bookkeeping	24,493
Operator	73,053
Garbage collection	79,749
Tap connection and inspection	619,250
Security	33,147
	<u>829,692</u>
Repairs and maintenance	<u>220,355</u>
Administrative	
Directors fees	8,343
Printing and office supplies	1,520
Insurance	7,098
Other	5,052
	<u>22,013</u>
Other	<u>101</u>
Intergovernmental	
Master District connection fees	983,323
Maintenance charges	206,956
Contractual obligations	42,633
	<u>1,232,912</u>
Total expenditures	<u>\$ 2,443,860</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-3. Investments
April 30, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexStar	Variable	N/A	<u>\$ 694,925</u>
Debt Service			
TexStar	Variable	N/A	206,335
TexStar - Road	Variable	N/A	380,136
TexStar - Contract Tax	Variable	N/A	6,267
			<u>592,738</u>
Capital Projects			
TexStar	Variable	N/A	<u>60,914</u>
Total - All Funds			<u><u>\$ 1,348,577</u></u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-4. Taxes Levied and Receivable
April 30, 2024

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 14	\$ -	\$ -	\$ 14
2023 Original Tax Levy	828,876	47,637	552,584	1,429,097
Adjustments	(7,187)	(413)	(4,791)	(12,391)
Adjusted Tax Levy	821,689	47,224	547,793	1,416,706
Total to be accounted for	821,703	47,224	547,793	1,416,720
Tax collections:				
Current year	810,329	46,572	540,220	1,397,121
Prior years	14			14
Total Collections	810,343	46,572	540,220	1,397,135
Taxes Receivable, End of Year	\$ 11,360	\$ 652	\$ 7,573	\$ 19,585
Taxes Receivable, By Years				
2023	\$ 11,360	\$ 652	\$ 7,573	\$ 19,585
		2023	2022	2021
Property Valuations:				
Land		\$ 77,596,417	\$ 18,351,960	\$ 7,937,030
Improvements		19,572,318		97,060
Personal Property		217,791	306,390	131,898
Exemptions		(2,939,434)	(50,398)	(59,561)
Total Property Valuations		\$ 94,447,092	\$ 18,607,952	\$ 8,106,427
Tax Rates per \$100 Valuation:				
Maintenance tax rates		\$ 0.87	\$ 1.50	\$ 1.50
Debt service tax rates		0.05		
Contract tax rates		0.58		
Total Tax Rates per \$100 Valuation		\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 1,416,706	\$ 279,119	\$ 121,596	
Percentage of Taxes Collected to Taxes Levied **		98.62%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 11, 2021

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

See accompanying auditor's report.

*Waller County Municipal Utility District No. 37
 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	\$ -	\$ 194,725	\$ 194,725
2026	90,000	192,025	282,025
2027	95,000	186,237	281,237
2028	95,000	180,062	275,062
2029	100,000	173,725	273,725
2030	105,000	167,063	272,063
2031	110,000	160,075	270,075
2032	120,000	152,600	272,600
2033	125,000	144,794	269,794
2034	130,000	136,825	266,825
2035	135,000	130,062	265,062
2036	145,000	124,462	269,462
2037	150,000	118,562	268,562
2038	160,000	112,363	272,363
2039	165,000	105,863	270,863
2040	175,000	99,063	274,063
2041	185,000	91,863	276,863
2042	190,000	84,363	274,363
2043	200,000	76,563	276,563
2044	210,000	68,231	278,231
2045	220,000	59,363	279,363
2046	235,000	49,831	284,831
2047	245,000	39,631	284,631
2048	255,000	29,006	284,006
2049	270,000	17,850	287,850
2050	285,000	6,056	291,056
	<u>\$ 4,195,000</u>	<u>\$ 2,901,263</u>	<u>\$ 7,096,263</u>

See accompanying auditor's report.

*Waller County Municipal Utility District No. 37
 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	\$ -	\$ 307,219	\$ 307,219
2026	120,000	302,869	422,869
2027	125,000	293,987	418,987
2028	135,000	284,562	419,562
2029	140,000	274,594	414,594
2030	150,000	264,081	414,081
2031	155,000	253,025	408,025
2032	165,000	241,425	406,425
2033	170,000	231,194	401,194
2034	180,000	222,444	402,444
2035	190,000	213,194	403,194
2036	195,000	203,569	398,569
2037	205,000	193,569	398,569
2038	220,000	182,944	402,944
2039	230,000	171,981	401,981
2040	240,000	160,819	400,819
2041	250,000	149,181	399,181
2042	265,000	136,950	401,950
2043	280,000	124,006	404,006
2044	290,000	110,287	400,287
2045	305,000	95,784	400,784
2046	320,000	80,550	400,550
2047	340,000	64,250	404,250
2048	355,000	46,875	401,875
2049	370,000	28,750	398,750
2050	390,000	9,750	399,750
	<u>\$ 5,785,000</u>	<u>\$ 4,647,859</u>	<u>\$ 10,432,859</u>

See accompanying auditor's report.

*Waller County Municipal Utility District No. 37
 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	\$ -	\$ 501,944	\$ 501,944
2026	210,000	494,894	704,894
2027	220,000	480,224	700,224
2028	230,000	464,624	694,624
2029	240,000	448,319	688,319
2030	255,000	431,144	686,144
2031	265,000	413,100	678,100
2032	285,000	394,025	679,025
2033	295,000	375,988	670,988
2034	310,000	359,269	669,269
2035	325,000	343,256	668,256
2036	340,000	328,031	668,031
2037	355,000	312,131	667,131
2038	380,000	295,307	675,307
2039	395,000	277,844	672,844
2040	415,000	259,882	674,882
2041	435,000	241,044	676,044
2042	455,000	221,313	676,313
2043	480,000	200,569	680,569
2044	500,000	178,518	678,518
2045	525,000	155,147	680,147
2046	555,000	130,381	685,381
2047	585,000	103,881	688,881
2048	610,000	75,881	685,881
2049	640,000	46,600	686,600
2050	675,000	15,806	690,806
	<u>\$ 9,980,000</u>	<u>\$ 7,549,122</u>	<u>\$ 17,529,122</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
TSI-6. Change in Long-Term Bonded Debt
April 30, 2024

	Bond Issue		Totals
	Series 2023	Series 2023 Road	
Interest rate	4.00% - 6.50%	4.75% - 7.25%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/25 - 9/1/49	9/1/25 - 9/1/49	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	4,195,000	5,785,000	9,980,000
Ending bonds outstanding	\$ 4,195,000	\$ 5,785,000	\$ 9,980,000
Interest paid during fiscal year	\$ 106,017	\$ 91,312	\$ 197,329
Paying agent's name and city All Series	Regions Bank, Houston, Texas		
	Water, Sewer and Drainage Bonds	Park and Recreation Facilities Bonds	Road Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 122,760,000	\$ 40,545,000	\$ 117,145,000
Amount Issued	(4,195,000)		(5,785,000)
Remaining To Be Issued	\$ 118,565,000	\$ 40,545,000	\$ 111,360,000
	Water, Sewer and Drainage Refunding Bonds	Park and Recreation Facilities Refunding Bonds	Road Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 36,828,000	\$ 12,164,000	\$ 35,144,000
Amount Issued			
Remaining To Be Issued	\$ 36,828,000	\$ 12,164,000	\$ 35,144,000

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: \$ 621,243

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 674,197

See accompanying auditor's report.

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Waller County Municipal Utility District No. 37

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Four Fiscal Years

	Amounts			
	2024	2023	2022	2021**
Revenues				
Water service	\$ 558,631	\$ 61,064	\$ -	\$ -
Sewer service	230,410	20,627		
Property taxes	810,359	279,516	121,588	
Penalties and interest	23,346	1,316		
Tap connection and inspection	1,352,314	614,815		
Miscellaneous	32,506	915		
Investment earnings	12,124	459		4
Total Revenues	<u>3,019,690</u>	<u>978,712</u>	<u>121,588</u>	<u>4</u>
Expenditures				
Current service operations				
Professional fees	138,787	180,814	89,435	77,830
Contracted services	829,692	343,083	19,253	2,400
Repairs and maintenance	220,355	20,522		
Administrative	22,013	18,529	19,017	6,877
Other	101	1,404	220	
Intergovernmental				
Master District connection fees	983,323	205,743		
Maintenance charges	206,956	65,516		
Contractual obligations	42,633	31,028		
Total Expenditures	<u>2,443,860</u>	<u>866,639</u>	<u>127,925</u>	<u>87,107</u>
Revenues Over/(Under) Expenditures	<u>\$ 575,830</u>	<u>\$ 112,073</u>	<u>\$ (6,337)</u>	<u>\$ (87,103)</u>
Total Active Retail Water Connections	<u>937</u>	<u>318</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>919</u>	<u>313</u>	<u>N/A</u>	<u>N/A</u>

*Percentage is negligible

** Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021**
18%	6%		-%
8%	2%		
27%	29%	100%	
1%	*		
45%	63%		
1%	*		
*	*		-
100%	100%	100%	-
5%	18%	74%	-
27%	35%	16%	-
7%	2%		
1%	2%	16%	-
*	*	*	
33%	21%		
7%	7%		
1%	3%		
81%	88%	106%	-
19%	12%	(6%)	-

Waller County Municipal Utility District No. 37

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

For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2024	2024
Revenues		
Property taxes	\$ 586,776	95%
Penalties and interest	3,281	1%
Investment earnings	26,210	4%
Total Revenues	<u>616,267</u>	<u>100%</u>
Expenditures		
Tax collection services	34,479	6%
Debt service		
Interest and fees	197,448	32%
Intergovernmental		
Contractual obligations	538,334	87%
Total Expenditures	<u>770,261</u>	<u>125%</u>
Revenues Under Expenditures	<u>\$ (153,994)</u>	<u>(25%)</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 37
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): September 9, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Matthew C. Deal	05/22 - 05/26	\$ 1,034	\$ -	President
Mark Witcher	09/22 - 05/26	2,289		Vice President
Brian Welch	05/24 - 05/28	1,255		Assistant Secretary
David Moriniere	05/24 - 05/28	1,626		Assistant Vice President
Leigh Ellis	05/24 - 05/28	2,139		Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	2020			Attorney
<i>General legal fees</i>		\$ 84,899		
<i>Bond counsel</i>		346,841		
Municipal District Services, LLC	2020	1,005,691		Operator
Myrtle Cruz, Inc.	2020	37,914		Bookkeeper
Bob Leared Interests	2020	18,524		Tax Collector
Waller County Appraisal District	<i>Legislation</i>	12,608		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2020			Delinquent Tax Attorney
Quiddity Engineering, LLC	2020	143,227		Engineer
Kimley-Horn & Associates, Inc.	2020			Landscape Architect
McGrath & Co., PLLC	2020	37,000		Auditor
R.W. Baird & Co., Incorporated	2020	265,023		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



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

Form 500 (8/24)