

OFFICIAL STATEMENT DATED OCTOBER 17, 2024

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

NEW ISSUE – Book-Entry-Only

**Underlying Rating (Moody’s): “Baa3”
Insured Rating (S&P): “AA”
See “MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE” and
“BOND INSURANCE” herein.**

\$10,980,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 202
(A Political Subdivision of the State of Texas, located within Harris County)
UNLIMITED TAX BONDS, SERIES 2024

Dated Date: Date of Delivery (defined herein)

Due: February 15, as shown on the inside cover

Harris County Municipal Utility District No. 202 (the “District”) is issuing its \$10,980,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”). The Bonds are obligations of the District secured by and payable from an ad valorem tax levied, without limit as to the rate or amount, against all taxable property within the District. The Bonds are not obligations of the State of Texas, the City of Houston, Texas, Harris County, Texas, or any political subdivision or entity other than the District. See “THE DISTRICT.” Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, Harris County, Texas, or any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal and redemption price of the Bonds is payable at the operations office of Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds accrues from the Date of Delivery, and is payable February 15 and August 15 of each year (each an “Interest Payment Date”), commencing February 15, 2025, and, unless otherwise agreed between the Paying Agent/Registrar and the registered owners (the “Registered Owners”), will be payable by check or draft mailed on or before each Interest Payment Date to the Registered Owners thereof as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding each Interest Payment Date, or by such other customary banking arrangement as may be acceptable to the Paying Agent/Registrar and a Registered Owner at the expense and risk of such Registered Owner. The Bonds will be issued in the denomination of \$5,000 or integral multiples thereof.

The Bonds will be registered and delivered only 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 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. See “BOOK- ENTRY-ONLY SYSTEM.”

The Bonds maturing on or after February 15, 2034, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on February 15, 2033, or any date thereafter at a price of par plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions – Optional Redemption.” The Bonds maturing on February 15 in the years 2033, 2035, 2037 and 2039 have been designated as term Bonds (the “Term Bonds”). Each such Term Bond shall be subject to mandatory redemption as described herein. See “THE BONDS – Redemption Provisions – Mandatory Redemption.”

Investment in the Bonds is subject to special investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled “RISK FACTORS,” before making an investment decision. See “RISK FACTORS.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE,” “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “BOND INSURANCE,” and “APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

**SEE MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS ON
THE INSIDE COVER**

The Bonds are offered when, as and if issued, subject to, among other things, approval of legality by the Attorney General of the State of Texas and by Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Bracewell LLP, Houston, Texas as Disclosure Counsel. Definitive Bonds are scheduled for delivery on or about November 14, 2024 (the “Date of Delivery”) in Houston, Texas.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

**\$10,980,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 202
UNLIMITED TAX BONDS, SERIES 2024**

\$6,660,000 Serial Bonds

<u>Due (February 15)^(a)</u>	<u>Principal Amount</u>	<u>Interest Rate^(b)</u>	<u>Initial Reoffering Yield^(c)</u>	<u>CUSIP^(d)</u>
2026	\$ 365,000	4.00%	3.10%	413906 DA3
2027	380,000	5.00	3.10	413906 DB1
2028	400,000	4.00	3.10	413906 DC9
2029	415,000	4.00	3.15	413906 DD7
2030	435,000	4.00	3.25	413906 DE5
2031	450,000	4.00	3.35	413906 DF2
***	***	***	***	***
2040	635,000	4.00	4.09	413906 DQ8
2041	660,000	4.00	4.12	413906 DR6
2042	685,000	4.00	4.15	413906 DS4
2043	715,000	4.00	4.17	413906 DT2
2044	745,000	4.00	4.19	413906 DU9
2045	775,000	4.00	4.21	413906 DV7

(Interest Accrues from Date of Delivery)

\$4,320,000 Term Bonds

\$965,000 5.00%^(b) Term Bond Due February 15, 2033^{(a)(e)}, Priced to Yield 3.40%^(c), CUSIP 413906 DH8^(d)

\$1,045,000 3.00%^(b) Term Bond Due February 15, 2035^{(a)(e)}, Priced to Yield 3.75%^(c), CUSIP 413906 DK1^(d)

\$1,115,000 3.00%^(b) Term Bond Due February 15, 2037^{(a)(e)}, Priced to Yield 3.90%^(c), CUSIP 413906 DM7^(d)

\$1,195,000 4.00%^(b) Term Bond Due February 15, 2039^{(a)(e)}, Priced to Yield 4.00%^(c), CUSIP 413906 DP0^(d)

(Interest Accrues from Date of Delivery)

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- (a) Bonds maturing on or after February 15, 2034, are subject to redemption prior to maturity at the option of the District, in whole or from time-to-time in part, in integral multiples of \$5,000, on February 15, 2033, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption Provisions – Optional Redemption.”
- (b) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.095% of par, resulting in a net effective interest rate to the District of 4.1282915%. Interest accrues from the Date of Delivery.
- (c) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser, as defined herein, and may subsequently be changed.
- (d) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.
- (e) Term Bonds are subject to mandatory sinking fund redemption as provided herein. See “THE BONDS – Redemption Provisions – 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.

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019 upon payment of the costs for duplication thereof.

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

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

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 hyperlinks contained therein are not incorporated into, and are not part of, this offering document.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Initial Purchaser”). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement, at a price of 97.095% of the principal amount thereof, which resulted in a net effective interest rate of 4.1282915%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

Subject to certain restrictions regarding the “hold-the-offering-price” rule as described in the 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.

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

Subject to certain restrictions regarding the “hold-the-offering-price” rule as described in the 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 reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the “SEC”) 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 in such other jurisdictions.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Standard and Poor’s Rating Services, a Standard & Poor’s Financial Service LLC business (“S&P”) is expected to assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds, with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. See “BOND INSURANCE” and “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance.” Moody’s Investor Service, Inc. (“Moody’s”) has assigned an underlying municipal bond rating of “Baa3” to the issue of Bonds without regard to credit enhancement. An explanation of the ratings may be obtained from S&P and Moody’s. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody’s if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

OFFICIAL STATEMENT SUMMARY

The following material 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 District.....	Harris County Municipal Utility District No. 202 (the “District”) was created by order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”), effective July 15, 1981, and by a confirmation election held within the District on November 3, 1981. The District operates as a municipal utility district pursuant to the provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District is located approximately 25 miles northwest of the downtown business district of the City of Houston. The District currently encompasses approximately 410.42 acres. See “APPENDIX B – MAP OF THE DISTRICT.” For information regarding the development within the District, see “THE DISTRICT.”
Description	The District’s \$10,980,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are dated the Date of Delivery (currently anticipated to be November 14, 2024) and mature on February 15 of the years and in the principal amounts set forth on the inside cover page hereof. The Bonds are issued as serial bonds maturing annually on February 15, 2026 through 2031 and February 15, 2040 through 2045, both inclusive (the “Serial Bonds”). In addition, the Bonds maturing on February 15 in the years 2033, 2035, 2037 and 2039 have been designated as Term Bonds (as defined herein). The Term Bonds are subject to mandatory sinking fund redemption as provided herein. See “THE BONDS – Redemption Provisions – Mandatory Redemption.” Interest on the Bonds is payable on each February 15 and August 15 beginning February 15, 2025. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. See “THE BONDS.”
Authority for Issuance.....	At elections held on November 3, 1981 and on November 2, 2021, the voters of the District approved the issuance of an aggregate principal amount of \$59,000,000 in unlimited tax bonds for water, wastewater and drainage (collectively, the “Elections”). The District previously issued \$4,200,000 of its bonds, consisting of \$2,500,000 Unlimited Tax Bonds, Series 1984 and \$1,700,000 Unlimited Tax Bonds, Series 1986. Following the issuance of the Bonds, the District will have \$43,820,000 in authorized but unissued voted authority remaining for water, wastewater and drainage purposes. As of the date of this Official Statement, the District does not have any outstanding unlimited tax bonds. The Bonds are issued by the District pursuant to the Elections; the terms and provisions of the order authorizing the issuance of the Bonds (the “Bond Order”); Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code. See “THE BONDS – Authority for Issuance.”

Security and Sources of Payment.....	The Bonds are payable from the proceeds of an ad valorem tax levied by the District, without legal limitation as to rate or amount, upon all taxable property within the District. The Bonds are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas, or any entity other than the District. See “THE BONDS – Sources of Payment.”
Use of Proceeds	Proceeds from the sale of the Bonds will be used to pay the costs of acquiring and constructing water, wastewater and drainage improvements and to reimburse the Developer for the costs related to acquiring and constructing water, wastewater and drainage improvements in the District as described under “USE OF BOND PROCEEDS.” Additionally, proceeds from the sale of the Bonds will be used to pay developer interest, 12 months of capitalized interest, and other certain costs associated with the issuance of the Bonds. See “USE OF BOND PROCEEDS.”
Redemption Provisions	Bonds maturing on or after February 15, 2034, are subject to redemption prior to maturity at the option of the District, in whole or from time-to-time in part, in integral multiples of \$5,000, on February 15, 2033, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption Provisions – Optional Redemption.” In addition to being subject to optional redemption, as described above, the Term Bonds are subject to mandatory redemption as described herein. See “THE BONDS – Redemption Provisions – Mandatory Redemption.”
Book-Entry Only	The Bonds are initially issuable in book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial owners of the Bonds will not receive physical delivery of bond certificates. See “BOOK-ENTRY-ONLY SYSTEM.”
Payment Record and Bankruptcy ...	<p>The Bonds constitute the District’s third issuance of bonds secured by and payable from ad valorem tax levied, without limitation as to rate or amount, on the taxable property within the District. The District previously had outstanding its \$2,500,000 Unlimited Tax Bonds, Series 1984 and \$1,700,000 Unlimited Tax Bonds, Series 1986 (collectively, the “Prior Bonds”). The District does not have any ad valorem tax debt currently outstanding.</p> <p>On March 30, 1994, the District filed a petition under Chapter 9, Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Bankruptcy Court”). On August 22, 1995, the Bankruptcy Court entered an Order Confirming Plan of Adjustment of Harris County Municipal Utility District No. 202 (the “Confirmation Order”) with respect to the District’s Plan of Adjustment and the First Amendment to Plan of Adjustment (collectively, the “Plan”) for the adjustment of the District’s debts as provided by the Plan. See “APPENDIX C – INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023, Note 3 – Plan of Adjustment,” for additional information regarding the plan.</p>

Under the Plan, the District was required, among other things, to satisfy certain undertakings, including to pay certain claims (such as payment of all of the then outstanding Prior Bonds) and to levy a tax rate of no more than \$1.25 per \$100 of assessed valuation throughout the duration of the Plan.

The District has satisfied all the undertakings of the Plan (including liquidation of the Class 5 claims that included payment of the outstanding Prior Bonds in January 2024). The final claim addressed by the District was the Class 6 “Champions Point Reimbursable Claim” (as that term is defined under the Plan). The Champions Point Reimbursable Claim represents advances and costs related to utility construction in the Champions Point Village Subdivision, Harris County, Texas paid during the late 1980s and/or early 1990s. The District made several attempts to contact Champions Point, Ltd. regarding the Champions Point Reimbursable Claim; however, Champions Point, Ltd. no longer exists, and no successor is known to the District. In order to fully satisfy its obligations under the Plan, on July 15, 2024, the District adopted a resolution establishing a restricted reserve in the District’s deposit accounts, and, deposited \$382,000 in such restricted reserve to be held until: (1) the funds are claimed by Champions Point, Ltd., or a lawful successor to Champions Point, Ltd. and paid with the delivery of a release by such recipient of any claims against the District pursuant to the Plan; or (2) the requisite period of time under the Plan for collection of any unclaimed distributions. Due to certain federal income tax law and state law issues related to issuing bonds to fund the restricted reserve from the proceeds of the Bonds, the District has funded the reserve for the payment of the Champions Point Reimbursable Claim from cash on hand in the District’s operating account rather than from the proceeds of the sale of Bonds. With the deposit of funds to the restricted reserve, the District has determined that it has fully satisfied the Class 6 Claims.

To evidence completion of the Plan, on July 15, 2024, the District adopted a resolution declaring completion of the Plan (the “Completion Resolution”). Pursuant to the Completion Resolution, the District has determined that all classes of claims have been paid or otherwise provided for and all of the District’s obligations under the Plan are complete.

Because the District has completed the Plan, it is no longer subject to the tax rate limitation contained in the Plan. The Bonds are secured by the levy of an unlimited ad valorem tax. In connection with the issuance of the Bonds, the Texas Attorney General will issue its approving opinion, which will opine as to the legality and validity of the issuance of the Bonds and the pledge of an unlimited ad valorem tax in payment thereof. Section 1202.006 of the Texas Government Code provides public securities are considered valid and incontestable in a court or other forum and are binding obligations for all purposes in accordance with their terms, after the public security is approved by the Attorney General and registered by the Comptroller and issued. As a statutory validation provision, Section 1202.006 could not cure a constitutional defect. See “LEGAL MATTERS” for a discussion of the opinions to be delivered in connection with the issuance of the Bonds.

Municipal Bond Rating	Moody’s Investor Service, Inc. (“Moody’s”) has assigned a municipal bond rating of “Baa3” to the issue of Bonds. An explanation of the ratings may be obtained from Moody’s. See “MUNICIPAL BOND RATINGS AND MUNICIPAL BOND INSURANCE.”
Municipal Bond Insurance	Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE,” “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance.” “BOND INSURANCE,” and “APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”
Legal Opinion.....	Smith, Murdaugh, Little & Bonham LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Disclosure Counsel.....	Bracewell LLP, Houston, Texas.
Financial Advisor	Hilltop Securities Inc., Houston, Texas.
Paying Agent/Registrar/Trustee	Zions Bancorporation, National Association, Amegy Bank Division

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2024 Taxable Assessed Valuation as of January 1, 2024	\$285,849,667	(a)
Estimated Taxable Assessed Valuation as of August 1, 2024	\$299,224,246	(b)
Direct Debt		
The Bonds	<u>\$10,980,000</u>	
Gross Direct Debt Outstanding	\$10,980,000	(c)
Estimated Overlapping Debt	\$14,335,111	(d)
Total Gross Direct Debt and Estimated Overlapping Debt	\$25,315,111	(d)
Ratios of Gross Direct Debt to:		
2024 Certified Taxable Assessed Valuation	3.84%	
Estimated Taxable Assessed Valuation as of August 1, 2024	3.67%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to		
2024 Certified Taxable Assessed Valuation as of January 1, 2023	8.86%	
Estimated Taxable Assessed Valuation as of August 1, 2024	8.46%	
Average Annual Debt Service Requirement (2025-2045)	\$767,258	
Maximum Annual Debt Service Requirement (2036)	\$791,600	
Tax Rate Required to Pay Average Annual Debt Service (2025-2045) at a 95% Collection Rate		
Based upon 2024 Certified Taxable Assessed Valuation (100% of Market Value)	\$0.2826	
Tax Rate Required to Pay Maximum Annual Debt Service (2036) at a 95% Collection Rate		
Based upon 2024 Certified Taxable Assessed Valuation (100% of Market Value)	\$0.2916	
Debt Service Funds Available	\$ 431,050	(e)
Operations and Maintenance Funds Available as of 12/31/23	\$2,233,308	
Tax Year 2024 (Fiscal Year 2025) District Tax Rate (per \$100 Assessed Valuation)		
Debt Service	\$0.15	
Maintenance and Operations	<u>\$0.75</u>	
Total	\$0.90	
Estimated Population	3,560	(f)

(a) Certified by the Harris Central Appraisal District (“HCAD”). Includes \$13,150,000 of taxable value under protest at the taxable value that would be assigned if the taxpayer’s claims are upheld by the appraisal review board and \$8,759,730 in taxable value that is not under protest and not yet included in the certified appraisal roll.

(b) Provided by HCAD as of August 1, 2024 for informational purposes only. Such amount reflects increases in value between January 1, 2024 and August 1, 2024. Taxes are levied based on values as certified by HCAD on January 1 of each year. No tax will be levied on said uncertified value until it is certified by HCAD. Increases in value from January 1, 2024 until August 1, 2024 will be certified as of January 1, 2025 and presented for taxation during the third or fourth quarter of 2025. See “TAX PROCEDURES” and “RISK FACTORS—Possible Impact on District Tax Rates.”

(c) Represents the Bonds.

(d) Includes the Bonds. See “DISTRICT DEBT—Estimated Overlapping Debt Statement.”

(e) The District will capitalize twelve (12) months of interest from the Bond proceeds and deposit such funds in the Debt Service Fund (as herein defined). The capitalized interest is estimated to be approximately \$431,050 assuming an interest rate on the Bonds of 4.13%. Funds in the Debt Service Fund are available to pay debt service on the Bonds. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund. See “THE BONDS—Funds,” and “USE OF BOND PROCEEDS.”

(f) Based upon 3.5 persons per occupied single-family residence.

\$10,980,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 202
UNLIMITED TAX BONDS,
SERIES 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 202 (the “District”) of its \$10,980,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”) on the date of sale of the Bonds, Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, particularly Texas Water Code, Chapters 49 and 54, as amended, and the Elections.

The Bonds are obligations of the District secured by and payable from a continuing direct annual ad valorem tax levied, without limitation as to the rate or amount, on all taxable property in the District. See “THE BONDS.”

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

THE DISTRICT

General

The District was created by order of the Texas Water Commission, predecessor to the TCEQ (as defined herein), dated July 15, 1981, and by a confirmation election held within the District on November 3, 1981, and operates as a municipal utility district pursuant to the provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and other general laws of the State of Texas applicable to municipal utility districts.

When the District was created, the District contained approximately 237.65 acres. On January 17, 1983, the District annexed 74.58 acres; on October 10, 2016, the District annexed 3.85 acres; on September 9, 2019, the District annexed 68.14 acres; and on May 13, 2024, the District annexed 26.20 acres, bringing the total acreage in the District to approximately 410.42 acres.

The District is located approximately 25 miles northwest of the downtown business district of the City of Houston. The District is generally bounded by Cutten Road to the west, FM 1960 West to the north, Bammel North Houston Road to the east and Greens Bayou to the south. The District is outside the city limits of the City of Houston, but wholly within the City’s extraterritorial jurisdiction. The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation of the District from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which (1) limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, roads and recreational facilities, (2) require approval by the City of Houston of District construction plans, and (3) permit connections only to single-family lots and commercial or multifamily/commercial platted reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

Development in the District

The District currently encompasses approximately 410.42 acres. As of June 1, 2024, approximately 298.72 acres within the District have been developed for single-family residential, commercial and church development. The remaining land within the District includes approximately 47.42 acres of developable but undeveloped acres currently planned for single family development 64.28 undevelopable acres. The table below summarizes the status of development and land use within the District as of June 1, 2024.

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Land Use

The following table has been provided by the Engineer and represents the current land use within the District. See “SELECTED FINANCIAL INFORMATION (UNAUDITED)” for additional information on the status of development.

Status of Development of the District

<u>Section</u>	<u>Type of Development</u>	<u>No. of Lots</u>	<u>Acreage</u>
Champions Point Village Section 2	Single-Family	186	49.42
Champions Point Village Section 4	Single-Family	65	16.61
Champions Point Village Section 5	Single-Family	91	22.73
Champions Point Grove	Single-Family	80	16.44
Hamill Ranch	Single-Family	44	6.95
Hammill Crossing	Single-Family	47	6.74
Champions Crossing Section 1	Single-Family	92	30.90
Champions Crossing Section 2	Single-Family	91	21.18
Champions Crossing Section 3	Single-Family	98	16.83
Champions Crossing Section 4	Single-Family	99	19.58
Champions Oak Section 1	Single-Family	53	28.70
Champions Oak Section 2	Single-Family	24	4.80
Champions Oak Section 3	Single-Family	54	10.50
Champions Oak Section 4	Single-Family	53	10.30
Hamill Crossing Commercial	Commercial	0	2.00
Champions Point Plaza Shopping Center	Commercial	0	10.40
Glorious Way Church	Church	0	8.68
Molen & Associates / Q&S Technologies	Commercial	0	5.00
Fuel Maxx	Commercial	0	3.85
Gulf Eagle Supply	Commercial	0	5.40
Valero Shopping Center	Commercial	0	1.70
Total Developed Acreage		1,077	298.72
Planned Development^(a)			
Champions Oak Section 5	Single-Family	61	12.02
Champions Oak Section 6	Single-Family	74	14.30
Champions Oak East, Sections 1 and 2	Single-Family	90	21.10
Total Planned Development		221	47.42
Undevelopable Acreage			
Water Treatment Plant Site			0.62
Wastewater Treatment Plant Site			3.39
Drainage Easements			12.94
Detention Pond Reserves			6.39
Miscellaneous R.O.W., Easements, Etc.			15.79
Annexation Tract III			25.15
Total Undevelopable Acreage			64.28
TOTALS			410.42

^(a) See “– Future Development” for a description of planned development within the District. The District can make no representation that any future development will occur within the District.

Homebuilder Active Within the District

The homebuilder currently active within the District is Long Lake Ltd., which is doing business as Lake Ridge Builders within the District. New homes being constructed in the District range in price from approximately \$350,000 to approximately \$450,000 and in size from approximately 1,500 to 2,800 square feet. As of the date of this Official Statement, New home sales activity is generally concentrated in Champions Oak Section 3 and Champions Oak Section 4. The Developer reports that development in Champions Oak Section 3 consists of 30 homes that have sold and closed, 11 spec homes and three homes held for marketing. The Developer reports that there are 11 homes currently under construction in Champions Oak Section 4.

Future Development

The District contains approximately 47.5 acres of undeveloped but developable land that the Developer currently plans to develop as three sections of single family lots. Champions Oak Section 5 is planned to consist of approximately 12 acres and 61 lots. The Developer expects to begin construction in Champion Oak Section 5 in November 2024 and to deliver lots in early 2025. Champions Oak Section 6 is planned to consist of approximately 14.5 acres and 74 lots. The Developer expects to begin construction in Champions Oak Section 6 in early 2026. Champion Oaks East is planned to consist of approximately 21 acres that were recently annexed into the District and 90 lots. Construction in Champions Oaks East is expected to follow after the development of Champions Oaks Section 6.

The District can make no representation that any future development will occur within the District. See “DEVELOPER – Obligations of Developers or Landowners.” In the event that future development does occur in the District, it is anticipated that the District will reimburse the eligible cost of public infrastructure associated with the development through the sale of future bond issues.

THE DEVELOPER

General

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See “RISK FACTORS.”

The Developer

Woodmere Development Co., Ltd.: The developer of Champions Oak, Sections 1 through 6, and Champions Oak East, Sections 1 and 2, which consists of approximately 100 acres, is Woodmere Development Co., Ltd. (“Woodmere”), a Texas limited partnership, the general partner of which is Woodmere GP, L.L.C., a Texas Limited liability company. Woodmere currently owns approximately 10 acres within the District. BGM Land Investments Ltd. (“BGM”), a Texas limited partnership with G.P. Landvest L.L.C. as its general partner, which is under common ownership and management with Woodmere, owns the majority of the remaining undeveloped residential land in the District consisting of approximately 48 acres and intends to sell such undeveloped land to Woodmere for development on an as-needed basis. After developing the land, Woodmere sells the developed lots on an as-needed basis to Long Lake Ltd. (“Long Lake”), a Texas limited partnership d/b/a Lake Ridge Builders or Briarwood Homes, which is also under common ownership and management with Woodmere and BGM. One or more of such entities have been in the development business since 1997.

Development Financing

According to the Developer, the Developer is currently funding development in the District through equity contributions. The Developer reports that it has not obtained any construction financing in connection with this development.

Obligations of the Developers or Landowners

There are no commitments from or obligations of the Developer or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property.

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 Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated and interest on the Bonds will accrue from the Date of Delivery and be payable February 15, 2025, and on each August 15 and February 15 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on February 15 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on page 2 hereof.

The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY- ONLY-SYSTEM." Interest calculations are based upon a 360-day year consisting of twelve 30-day months.

Sources of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax levied by the District, without legal limitation as to rate or amount, upon all taxable property within the District. THE BONDS ARE NOT OBLIGATIONS OF THE STATE OF TEXAS; HARRIS COUNTY, TEXAS; THE CITY OF HOUSTON, TEXAS, OR ANY ENTITY OTHER THAN THE DISTRICT.

Authority for Issuance

At elections held on November 3, 1981 and November 2, 2021 (collectively, the "Elections"), the voters of the District approved the issuance of aggregate principal amount of \$59,000,000 in unlimited tax bonds for water, wastewater and drainage, to serve the District, and to provide for the payment of principal of and interest on such bonds by the levy and collection of an unlimited ad valorem tax upon all taxable property within the District, all as authorized by the Constitution and laws of the State of Texas. Using voted authority from the Elections, the District issued \$4,200,000 of its bonds, consisting of \$2,500,000 Unlimited Tax Bonds, Series 1984 and \$1,700,000 Unlimited Tax Bonds, Series 1986 (collectively, the "Prior Bonds"), which are no longer outstanding. As of the date of this Official Statement, the District does not have any ad valorem tax debt currently outstanding. See "PAYMENT RECORD AND BANKRUPTCY."

The Bonds are the third series of bonds issued for water, sewer and drainage system improvements by the District. After the issuance of the Bonds, \$43,820,000 of unlimited tax bonds will remain authorized but unissued for water, wastewater and drainage improvement purposes within the District under the Elections.

Voters within the District may authorize the issuance of additional ad valorem tax bonds for the benefit of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently authorized for issuance by the District's voters or the amount ultimately issued by the District. The Bonds are issued by the District pursuant to the terms and provisions of the order authorizing the issuance of the Bonds (the "Bond Order"); Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly Texas Water Code, Chapters 49 and 54, as amended; and the Elections.

Funds

The Bond Order creates the District's Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any duly authorized additional bonds issued to benefit the District, together with interest thereon, as such becomes due. Amounts on deposit in the District's 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 Bonds, and any additional bonds issued to benefit the District.

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

In the event of a non-payment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest must be sent at prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

Redemption Provisions

Optional Redemption:

The District reserves the right, at its option, to redeem the Bonds maturing on or after February 15, 2034, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on February 15, 2033 or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be determined by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures, while the Bonds are in book-entry only form). If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000.

Mandatory Redemption:

The Bonds due on February 15 in the years 2033, 2035, 2037 and 2039 (each a "Term Bond," and collectively, the "Term Bonds") also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on February 15 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

Term Bond Maturing on February 15, 2033

Mandatory Sinking Fund Redemption Date	Principal Amount
February 15, 2032	\$470,000
February 15, 2033*	\$495,000

*Maturity

Term Bond Maturing on February 15, 2035

Mandatory Sinking Fund Redemption Date	Principal Amount
February 15, 2034	\$515,000
February 15, 2035*	\$530,000

*Maturity

Term Bond Maturing on February 15, 2037

Mandatory Sinking Fund Redemption Date	Principal Amount
February 15, 2036	\$550,000
February 15, 2037*	\$565,000

*Maturity

Term Bond Maturing on February 15, 2039

Mandatory Sinking Fund Redemption Date	Principal Amount
February 15, 2038	\$585,000
February 15, 2039*	\$610,000

*Maturity

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term 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 Order. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of any redemption identifying the Bonds to be redeemed in whole or from time-to-time in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or from time-to-time in part at the address shown on the register.

Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or from time-to-time in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY-SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended (the "Code"), requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Issuance of Additional Debt

Following approval by the voters of the District, the District may issue additional bonds with the approval of the Texas Commission on Environmental Quality (the "Commission" or the "TCEQ") as necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have previously authorized the issuance of \$59,000,000 principal amount of bonds for the purpose of providing water, wastewater and drainage improvements to land within the District, and may authorize additional amounts in future elections. Following the issuance of the Bonds, the District will have \$43,820,000 in authorized but unissued voted authority remaining for water, wastewater and drainage purposes. In addition, voters of the District have authorized \$74,000,000 in refunding authority that is available to the District. All bonds issued by the District from such voted authorization are secured by the proceeds of taxes levied upon all taxable property within the District. The voters of the District may, in the future, authorize the issuance of additional bonds.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds.

Defeasance

The Bond Order 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, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for 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, including obligations that are unconditionally guaranteed by 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. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually

limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

No Arbitrage

The District will certify 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 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, the 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 calculation of 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.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston 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. If the District is annexed, the City of Houston will assume the District’s assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston 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 a district 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, as amended, 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, as amended) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

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

Amendments

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

PAYMENT RECORD AND BANKRUPTCY

The Bonds constitute the District's third issuance of unlimited tax bonds secured by and payable from an unlimited ad valorem tax levied on the taxable property within the District. The District previously had outstanding its \$2,500,000 Unlimited Tax Bonds, Series 1984 and \$1,700,000 Unlimited Tax Bonds, Series 1986 (collectively, the "Prior Bonds"). The District does not have any ad valorem tax debt currently outstanding.

On March 30, 1994, the District filed a petition under Chapter 9, Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). On August 22, 1995, the Bankruptcy Court entered an Order Confirming Plan of Adjustment of Harris County Municipal Utility District No. 202 (the "Confirmation Order") with respect to the District's Plan of Adjustment and the First Amendment to Plan of Adjustment (collectively, the "Plan") for the adjustment of the District's debts as provided by the Plan. See "APPENDIX C – INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023, Note 3 – Plan of Adjustment," for additional information regarding the plan.

Under the Plan, the District was required, among other things, to satisfy certain undertakings, including to pay certain claims (such as payment of all of the then outstanding Prior Bonds) and to levy a tax rate of no more than \$1.25 per \$100 of assessed valuation throughout the duration of the Plan. Following completion of the Plan, the District is no longer subject to the tax rate limitation.

The District has satisfied all the undertakings of the Plan (including liquidation of the Class 5 claims that included payment of the outstanding Prior Bonds in January 2024). The final claim addressed by the District was the Class 6 Champions Point Reimbursable Claim (as that term is defined under the Plan). The Champions Point Reimbursable Claim represents advances and costs related to utility construction in the Champions Point Village Subdivision, Harris County, Texas paid during the late 1980s and/or early 1990s. The District had made several attempts to contact Champions Point, Ltd. regarding the Champions Point Reimbursable Claim, however, Champions Point, Ltd. no longer exists, and no successor is known to the District. In order to fully satisfy its obligations under the Plan, on July 15, 2024, the District adopted a resolution establishing a restricted reserve in the District's deposit accounts, and deposited \$382,000 in such restricted reserve to be held until: (1) the funds are claimed by Champions Point, Ltd., or a lawful successor to Champions Point, Ltd. and paid with the delivery of a release by such recipient of any claims against the District pursuant to the Plan; or (2) the requisite period of time under the Plan for collection of any unclaimed distributions. Due to certain federal income tax law and state law issues related to

issuing bonds to fund the restricted reserve from the proceeds of the Bonds, the District has funded the reserve for the payment of the Champions Point Reimbursable Claim from cash on hand in the District's operating account rather than from the proceeds of the sale of Bonds. With the deposit of funds to the restricted reserve, the District has determined that it has fully satisfied the Class 6 Claims.

To evidence completion of the Plan, on July 15, 2024, the District adopted a resolution declaring completion of the Plan (the "Completion Resolution"). Pursuant to the Completion Resolution, the District has determined that all classes of claims have been paid or otherwise provided for and all of the District's obligations under the Plan are complete.

Because the District has completed the Plan, it is no longer subject to the tax rate limitation contained in the Plan. The Bonds are secured by the levy of an unlimited ad valorem tax. In connection with the issuance of the Bonds, the Texas Attorney General will issue its approving opinion, which will opine as to the legality and validity of the issuance of the Bonds and the pledge of an unlimited ad valorem tax in payment thereof. Section 1202.006 of the Texas Government Code provides public securities are considered valid and incontestable in a court or other forum and are binding obligations for all purposes in accordance with their terms, after the public security is approved by the Attorney General and registered by the Comptroller and issued. As a statutory validation provision, Section 1202.006 could not cure a constitutional defect. See "LEGAL MATTERS" for a discussion of the opinions to be delivered in connection with the issuance of the Bonds.

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 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 of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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, District or Paying Agent/Registrar, 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 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 District or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

RISK FACTORS

General; District Bonds

The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District, and, equally and ratably with any future bonds issued for the District. The security for payment of the Bonds depends on the District's ability to collect taxes levied against property within the District in an amount sufficient to pay debt service on the Bonds when due. The investment quality of the Bonds depends both on the ability of the District to collect from the property owners all taxes levied

against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien.

The potential for an increase in taxable valuation of property within the District is directly related to the economics of the commercial and residential real estate industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be a costly and lengthy processes. See "THE BONDS – Registered Owners Remedies" and "– Sources of Payment."

Tax Collection Limitations and Foreclosure Remedies

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). See "TAX DATA – District Overlapping Tax Rates." Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Tax Exemption Provided to Lessees of Public Facility Corporations

As described in "TAX PROCEDURES – Tax Exemption Provided to Lessees of Public Facility Corporations" herein, a multifamily residential development owned or leased by a Public Facility Corporation ("PFC") is exempt from ad valorem taxation by the State and any other political subdivision of the State, including a municipal utility district such as the District. Chapter 303 of the Texas Local Government Code (the "PFC Act") does not require any notice to, or consent by, any taxing jurisdictions that may be impacted by such exemption prior to the exemption being implemented. This tax-exempt lease structure has been utilized by the Houston Housing Authority and other entities for the creation of affordable multifamily apartments in the greater Houston area, both through the development of new apartment projects and the acquisition of existing (and previously taxable) apartment projects. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC. The District makes no representations or predictions regarding whether future public facilities will be created or established within the District's boundaries by the Houston Housing Authority or by any other Sponsor (as defined herein) pursuant to the PFC Act.

Developer's Obligation to the District

There are no commitments from or obligations of the Developer or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property. See "DISTRICT – Development in the District," "– Developer in the District," "– Development Financing," and "RISK FACTORS – Dependence on Principal Taxpayers."

Cybersecurity

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

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for 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 will 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.

Extreme Weather

The greater Gulf Coast area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 27, 2017, and brought historic levels of rainfall during the successive four days. If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. During Hurricane Beryl in July 2024, the generator at the District's wastewater treatment plant failed. A temporary generator is being installed pending acquisition of a new permanent generator. The cost to the District associated with the generator is approximately \$650,000, which amount will initially be funded from operating fund balance and may be reimbursed in a subsequent bond issue.

Environmental Regulations

Environmental Regulations:

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

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

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

Air Quality Issues:

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

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

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues:

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

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

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

agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the City of Houston. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit. Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

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

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Marketability of the Bonds

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control 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 price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Possible Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2024 Certified Taxable Assessed Valuation is \$285,849,667. After issuance of the Bonds, the maximum annual debt service requirement is \$791,600 (2036), and the average annual debt service requirement is \$767,258 (2025-2045 inclusive). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation of \$285,849,667, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of approximately \$0.2916 and \$0.2826 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. The Estimated Taxable Assessed Valuation as of August 1, 2024 is \$299,224,246. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of August 1, 2024, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of approximately \$0.2785 and \$0.2700 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. See SELECTED FINANCIAL INFORMATION (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.” Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2024 Certified Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of August 1, 2024, the District can make no representations regarding the future level of assessed valuation within the District.

The Estimated Taxable Assessed Valuation is provided by HCAD for informational purposes only. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2024 and August 1, 2024, will be certified as of January 1, 2025, and provided for purposes of taxation during the third or fourth calendar quarter of 2025. See “TAXING PROCEDURES.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has acquired an insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. Investors should be aware of the following investment considerations:

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the “Insurer”) and its claims paying ability. The 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 Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

The obligations of the Insurer are contractual obligations and in an event of default by the 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 has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See “BOND INSURANCE” and “APPENDIX D – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

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BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

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

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

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

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

Additional Information from BAM

Credit Insights Videos

For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not

incorporated herein by reference.)

Credit Profiles

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

Disclaimers

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

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

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USE OF BOND PROCEEDS

Proceeds of the Bonds will be used to pay the costs of acquiring and constructing water, wastewater and drainage improvements and to reimburse the Developer for the costs related to acquiring and constructing water, wastewater and drainage improvements in the District as shown below. Proceeds of the Bonds will also be used to pay for non-construction costs as set out below.

	District's Share ^(a)
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Clearing and Grubbing for Champion Oaks Section 1	\$ 297,113
2. Champion Oaks Section 1-W/WW/D	2,169,825
3. Champion Oaks Section 2-W/WW/D	210,218
4. Champion Oaks Section 3-W/WW/D	1,608,223
5. Engineering, Surveying, Geotechnical (Items 1-4)	780,695
6. Stormwater Pollution Prevention Planning (Items 1-4)	229,671
Total Developer Contribution Items	\$ 5,295,745
B. District Items	
1. Water plant No. 1 MCC Replacement	\$ 387,000
2. Wastewater Treatment Facility Lift Station Replacement	1,025,000
3. Wastewater Treatment Facility Recoating/Piping Repairs and Replacement	100,000
4. Contingencies (Item 1)	117,000
5. Engineering (Items 1-3)	297,900
6. Annexation Expense	20,637
7. Drainage Study	55,280
8. Land Acquisition Champion Oaks Detention Pond	1,350,986 ^(b)
Total District Items	\$ 3,353,803
TOTAL CONSTRUCTION COST (79.12% of BIR)	\$ 8,649,548
NON-CONSTRUCTION COSTS	
A. Legal Fees	\$ 279,500 ^(c)
B. Fiscal Agent Fees	219,600 ^(d)
Interest	
1. Capitalized Interest (1 Year @ 4.13%)	435,050
2. Developer Interest	733,148 ^(e)
C. Bond Discount (3%)	319,020
D. Bond Issuance Expenses	54,006
E. Bond Application Report Costs	80,000
F. Attorney General Fee (0.10%)	9,500
G. TCEQ Bond Issuance Fee (0.25%)	27,450
Bond Rounding Amount	1,516
Total Non-Construction Costs	\$ 2,153,274
Surplus Funds	\$ 177,178
TOTAL BOND ISSUE REQUIREMENT	\$ 10,980,000

(a) The District has requested a waiver of the 30% developer contribution requirement of 30 TAC Section 293.47.

(b) Based on the purchase statement provided, the contract sales price for 68.32 acres was \$6,696,535 resulting in cost per acre of \$98,017.2. The \$1,350,986 figure includes \$975,663 (\$98,017.2 times 9.954 acres) for the purchase price of the detention pond site plus for \$288,389 for interest and \$86,934 for taxes.

(c) Contract provided indicates the legal fee to be 3.0% of the first \$500,000 of bonds issued, plus 2% of the remaining bonds issued, plus 0.5% of principal amount of bonds issued for market opinion.

(d) Contract provided indicates the fiscal agent fee to be 2% of the bonds issued.

(e) Based on an interest rate of 4.13%.

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

THE SYSTEM

Regulation

The District receives water and sewer services from the District's water distribution, wastewater collection and drainage facilities (collectively, the "System"). The operator of the System is Marlon Ivy & Associates, Inc. (the "Operator") pursuant to a utility agreement. To the best of the knowledge and belief of the District's Engineer, Vogler & Spencer Engineering, Inc. ("Engineer"), the System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including among others, the TCEQ, the City of Houston, Harris County Flood Control District and Harris County. The design of the System facilities has been approved by all required governmental agencies, and the construction has been inspected by the Commission. Operation of the System is subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Source of Water Supply

The District's primary source of water is surface water received from the North Harris County Regional Water Authority ("NHCRWA") which provides adequate capacity for normal demand. The District's water supply system is used for peak demand. The District's water supply system includes a 1,500 gallons per minute well, together with a 500,000 gallon ground storage tank and a 30,000 gallons of capacity in two hydro-pneumatic tanks. The System is designed for an average daily demand of 360 gallons per connection per day and provides adequate water supply for the District.

According to the District's Engineer, the District's current water supply facilities are sufficient to serve 1,750 equivalent single-family connections ("ESFCs"). The District currently serves 1,106 ESFCs, and total water consumption during fiscal year 2023 was 113,421,000 gallons. The District's water supply facilities are sufficient to serve the District at total buildout. Backup water supply for emergency water is provided by interconnections with two adjacent municipal utility districts.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 1999, the Texas legislature created the NHCRWA to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County.

The District is located within the boundaries of the NHCRWA. The NHCRWA has entered into a Water Supply Contract with the City to obtain treated surface water from Houston. The NHCRWA has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The NHCRWA's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the NHCRWA's GRP. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the NHCRWA's GRP.

The NHCRWA, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the NHCRWA), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The NHCRWA currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a rate per 1,000 gallons of surface water, if any, received by the District from the NHCRWA. The NHCRWA has issued revenue bonds to fund, among other things, NHCRWA surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the NHCRWA's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the NHCRWA is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the NHCRWA's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the NHCRWA's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the NHCRWA's GRP. If the NHCRWA fails to comply with the above Subsidence District regulations or GRP, the NHCRWA is subject to a disincentive fee penalty per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any

groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the NHCRWA, the NHCRWA would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the NHCRWA in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. No representation is made that the NHCRWA: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

As of December 31, 2023, NHCRWA was billing the District \$4.56 per 1,000 gallons of water pumped from its wells and \$5.05 per 1,000 gallons of surface water received from NHCRWA. These amounts are subject to future adjustments. During a prior year, the District entered into an agreement with NHCRWA for reimbursement of chloramine conversion costs. The agreement allows for reimbursement of \$394,219 in chloramine system costs. The District will receive payment through credits for District pumpage fees and water payments as they become due each year. These repayments accrue interest at 6% per year and will be repaid with principal and interest payments from 2011 through 2041.

Source of Wastewater Treatment

On December 13, 2004, the District entered into an agreement with Northwest Harris County Municipal Utility District No. 6 ("NWHCMUD No. 6") to construct and operate a joint wastewater treatment plant. The participants of the agreement share fixed operating costs based on their pro rata share of ownership. Variable costs are shared based on pumpage. The wastewater treatment plant has a capacity of 725,000 gpd. The District's allotted capacity is 51.7% and NWHCMUD No. 6's allotted capacity is 48.3%. See "APPENDIX C – INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023, Note 8 – Contracts with Other Districts," for additional information. The District is currently serving 1,106 equivalent single family connections (ESFCs) from its portion of the wastewater treatment plant and has the capacity to serve 1,315 ESFCs.

On May 10, 2021, the District entered into a 40-year agreement with Harris County Water Control and Improvement District No. 109 ("District No. 109"). Under the terms of the agreement, District No. 109 will provide wastewater treatment service to residential lots to be developed on two tracts totaling 26.197 acres that were annexed into the boundaries of the District in 2024. The District will pay all costs of acquisition and installation and will own and have title to the interconnect facilities, as well as be 100 percent responsible for the costs of operating, maintaining, testing, repairing or replacing of the interconnect facilities. The District paid District No. 109 a one-time capital recovery fee of \$101,250. The District must pay District No. 109 monthly for each connection for which wastewater treatment service is being provided in an amount equal to 110% of the amount paid by District No. 109's residential customers for wastewater treatment service in accordance with the then-current rate order. The District can acquire capacity to serve 112 ESFCs from District No. 109, which is sufficient to serve the annexed area at full buildout.

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Water and Sewer Rates

Shown in the below table are the fiscal year 2024 water and sewer rates for residential single-family households in the District.

Residential Single-Family			
Water Rates		Sewer Rates	
Gallons	Rates	Gallons	Rates
5,001-10,000	\$1.25	5,001-10,000	\$1.25
10,001-20,000	\$1.50	10,001-20,000	\$1.50
20,001-No Limit	\$2.00	20,001-No Limit	\$2.00

Regional Water Fee \$4.46 per 1,000 gallons

\$15.00 Minimum Charge
5,000 Minimum Usage

\$33.06 Minimum Charge
5,000 Minimum Usage

100-Year Flood Plain

According to the District’s Engineer, none of the developed property in the District, except those areas designated for drainage and detention, is located within the 100-year flood plain as indicated by the current Federal Emergency Management Agency (“FEMA”) Map.

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Waterworks and Sewer Operating Statement Information of the District

The following statement sets forth in condensed form the historical results of operations of the System. Such summary has been prepared by the Financial Advisor (as herein defined) for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ended December 31, 2019 through 2023 and unaudited information through August 12, 2024 of the fiscal year ending December 31, 2024. Reference is made to such statements for further and more complete information. The Bonds are secured by and payable from ad valorem taxes levied on taxable property within the District. The revenues of the System are not pledged to the Bonds. The Owners of the Bonds have no right to payment from revenues of the System or taxes levied on property outside the District.

Revenues:	Fiscal Year Ended December 31,				
	2023 ^(a)	2022	2021	2020	2019
Property Taxes	\$2,796,078	\$ 2,450,779	\$ 2,355,316	\$ 2,119,820	\$ 1,992,843
Water Service	263,366	247,875	214,391	212,665	228,847
Sewer Service	431,049	399,851	369,954	366,418	365,489
Regional Water Authority Fees	490,683	521,186	401,583	398,277	346,688
Penalty and Interest	37,454	40,714	29,873	21,411	38,979
Tap Connection and Inspection Fees	65,145	69,765	60,975	5,040	26,895
Investment Revenues	115,965	28,862	1,057	8,393	36,208
Miscellaneous Revenues	22,740	23,190	6,900	6,085	6,702
Total Revenues	\$4,222,480	\$ 3,782,222	\$ 3,440,049	\$ 3,138,109	\$ 3,042,651
Expenditures:					
Purchased Services	\$ 801,651	\$ 934,857	\$ 603,451	\$ 584,583	\$ 563,267
Regional Water Fee	33,996	13,078	76,389	5,758	5,907
Professional Fees	191,043	187,699	180,135	173,513	144,349
Contracted Services	401,966	374,169	327,270	318,586	294,103
Utilities	43,132	38,597	32,684	28,489	24,424
Repairs and Maintenance	305,870	285,272	264,750	160,808	207,018
Other Expenditures	91,954	82,916	73,620	67,957	68,408
Tap Connections	31,500	30,950	34,250	-	23,194
Principal Retirement	-	-	1,250,000	1,600,000	1,075,000
Debt Issuance Costs	58,300	-	-	-	-
Capital Outlay	322,834	-	200,983	-	-
Bankruptcy Payment	1,801,000	1,522,752	899,136	199,500	349,977
Total Expenditures	\$4,083,246	\$ 3,470,290	\$ 3,942,668	\$ 3,139,194	\$ 2,755,647
Excess Revenues (Expenditures)	\$139,234	\$ 311,932	\$ (502,619)	\$ (1,085)	\$ 287,004
Other Financing Sources (Uses)	289,881	\$28,640	\$ 28,640	\$ 28,640	\$ 28,640
Fund Balance - Beginning	1,804,193	1,463,621	1,937,600	1,910,045	1,594,401
Fund Balance - Ending	\$2,233,308	\$ 1,804,193	\$ 1,463,621	\$ 1,937,600	\$ 1,910,045

(a) Through August 12, 2024, for the fiscal year ending December 31, 2024, the District currently estimates that it has received total revenues of approximately \$3,683,863, had total expenditures of approximately \$956,228 and made other uses of excess revenues in an amount of approximately \$442,912. Such amounts represent unaudited information that has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District and is subject to revision upon completion of the District's annual audit. The District expects to incur additional budgeted repair and maintenance expenditures and capital outlays in the fourth quarter that will bring annual expenditures more in line with historical expenditures.

Special Revenue Fund Information

The following statement sets forth in condensed form the historical results of operations of the Special Revenue Fund of the District. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the fiscal years ended December 31, 2019 – 2023 and unaudited information through August 12, 2024 of the fiscal year ending December 31, 2024. The Special Revenue Fund is a fund established by the District in connection with the joint operation and ownership of a wastewater treatment plant with NWHCMUD No. 6. See “—Source of Wastewater Treatment.” The revenues shown in the Special Revenue Fund reflect payments received from NWHCMUD No. 6 in connection with the joint ownership and operation of the wastewater treatment plant. Similarly, the expenditures shown reflect the portion of the expenditures allocable to NWHCMUD No. 6. The District's costs of the ownership and operation of the wastewater treatment plant are included in the Waterworks and Sewer Operating Statement Reference is made to such statements for further and more complete information. The Bonds are secured by and payable from ad valorem taxes levied on taxable property within the District. The revenues of the System are not pledged to the Bonds. The Owners of the Bonds have no right to payment from revenues of the System or taxes levied on property outside the District.

	Fiscal Year Ended December 31,				
	2023	2022	2021	2020	2019
Revenues:					
Wastewater Service	\$ 576,524	\$ 718,504	\$ 382,086	\$ 384,394	\$ 350,407
Investment Income	20	1	23	82	125
Total Revenues	\$ 576,544	\$ 718,505	\$ 382,109	\$ 384,476	\$ 350,532
Expenditures:					
Service Operations:					
Professional Fees	\$ 12,148	\$ 32,724	\$ 9,342	\$ 17,826	\$ 3,088
Contracted Services	49,038	41,962	34,110	33,377	34,718
Utilities	83,892	87,440	92,338	82,482	81,507
Repairs and Maintenance	395,071	318,014	245,119	235,250	217,155
Other Expenditures	36,395	31,396	23,510	15,541	14,064
Capital Outlay	-	233,013	34,325	-	-
Total Expenditures	\$ 576,544	\$ 744,549	\$ 438,744	\$ 384,476	\$ 350,532
Excess Revenues (Expenditures)	-	\$ (26,044)	\$ (56,635)	\$ -	\$ -
Other Financing					
Interfund Transfer In	\$ 52,159	-	-	-	-
Insurance Proceeds	-	26,044	-	-	-
Reimbursement from Governmental Entity	-	-	\$ 56,635	-	-
Fund Balance - Beginning	\$ 33,796	\$ 33,796	\$ 33,796	\$ 33,796	\$ 33,796
Fund Balance - Ending	\$ 85,955	\$ 33,796	\$ 33,796	\$ 33,796	\$ 33,796

(a) Through August 12, 2024, for the fiscal year ending December 31, 2024, the District currently estimates that it has received total revenues of approximately \$293,544, had total expenditures of approximately \$300,721 and made other uses of excess revenues in an amount of approximately \$7,177. Such amounts represent unaudited information that has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District and is subject to revision upon completion of the District's annual audit.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by a Board of five directors which has control and management supervision over all affairs of the District. Directors have four-year terms staggered every two years. Elections are held only in even-numbered years on the first Saturday in May in even-numbered years.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Laura Daniels	President	May 2028
Peggy Williams	Vice President	May 2026
Dennis Ramirez	Secretary	May 2028
James Peaks	Assistant Secretary	May 2028
Richard Arnold	Assistant Secretary	May 2026

District Consultants

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

Tax Assessor/Collector: Land and improvements in the District are appraised for taxation by the Harris Central Appraisal District (“HCAD”). The District’s Tax Assessor/Collector is EquiTax, Inc.

System Operator: The District’s system is operated by Marlon Ivy & Associates, Inc. pursuant to a utility agreement.

Bookkeeper: The District contracts with Myrtle Cruz, Inc. for bookkeeping services.

Engineer: The consulting engineer for the District is Vogler & Spencer Engineering, Inc.

Legal Counsel: The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as Bond Counsel in connection with the issuance of bonds by the District. Such firm also acts as general counsel and delinquent tax counsel for the District.

Disclosure Counsel: Bracewell LLP, Houston, Texas has been engaged by the District to serve as Disclosure Counsel for this financing. A portion of the fee to be paid to disclosure counsel is contingent upon the sale and delivery of the Bonds.

Financial Advisor: The District has employed the firm of Hilltop Securities Inc., as financial advisor to the District (the “Financial Advisor”). Payment to the Financial Advisor by the District is contingent upon the issuance, sale 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 that has been supplied or provided by third-parties.

Auditor: The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX C – INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023” for a copy of the District’s December 31, 2023, audited financial statements.

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DISTRICT DEBT

District Direct Debt Outstanding

Outstanding Bonds	\$ 0
The Bonds.....	<u>10,980,000</u>
Total.....	\$10,980,000
Ratio of Direct Debt to 2024 Certified Taxable Assessed Valuation (\$285,849,227)	3.84%
Ratio of Direct Debt to Estimated Taxable Assessed Valuation as of August 1, 2024 (\$299,224,246)	3.67%

District Bonds Authorized but Unissued

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Water, Sanitary Sewer, and Drainage Bonds	11/30/1981	\$10,000,000	\$4,200,000	\$ -	\$ 5,800,000
Refunding	04/01/1989	\$25,000,000	\$ -	\$ -	\$25,000,000
Water, Sanitary Sewer, and Drainage Bonds	11/02/2021	\$49,000,000	\$ -	\$10,980,000	\$38,020,000
Refunding	11/02/2021	\$49,000,000	\$ -	\$ -	\$49,000,000

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Debt Service Requirements of the District

The District does not currently have any ad valorem tax debt outstanding. The following table reflects the principal and interest requirements on the Bonds.

Year Ended 9/30	The Bonds			Total Outstanding Debt
	Principal	Interest	Total	
2025	\$ -	\$ 324,485	\$ 324,485	\$ 324,485
2026	365,000	423,750	788,750	788,750
2027	380,000	406,950	786,950	786,950
2028	400,000	389,450	789,450	789,450
2029	415,000	373,150	788,150	788,150
2030	435,000	356,150	791,150	791,150
2031	450,000	338,450	788,450	788,450
2032	470,000	317,700	787,700	787,700
2033	495,000	293,575	788,575	788,575
2034	515,000	273,475	788,475	788,475
2035	530,000	257,800	787,800	787,800
2036	550,000	241,600	791,600	791,600
2037	565,000	224,875	789,875	789,875
2038	585,000	204,700	789,700	789,700
2039	610,000	180,800	790,800	790,800
2040	635,000	155,900	790,900	790,900
2041	660,000	130,000	790,000	790,000
2042	685,000	103,100	788,100	788,100
2043	715,000	75,100	790,100	790,100
2044	745,000	45,900	790,900	790,900
2045	775,000	15,500	790,500	790,500
	<u>\$10,980,000</u>	<u>\$ 5,132,410</u>	<u>\$ 16,112,410</u>	<u>\$ 16,112,410</u>

Maximum Annual Debt Service Requirement (2036) (“MADS”)..... \$791,600

Average Annual Debt Service Requirement (2025 – 2045)..... \$767,258

Current Investments

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District’s portfolio.

The District is currently invested in TexPool, a pooled investment fund that is not registered with the SEC and that is managed by the State Comptroller’s office. The State Comptroller’s office has oversight of TexPool. These investments are generally representative of the District’s investment practices. State law requires the District to report its investments each calendar quarter and upon the conclusion of each fiscal year. The District is required by state law to mark its investments to market price in these reports for the purpose of compliance with applicable accounting policies.

Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Bonds as of 7/31/2024	Estimated % Overlapping	Estimated Amount Overlapping
Harris County	\$2,577,839,039	0.04%	\$ 1,031,136
Harris County Department of Education.....	28,960,000	0.04%	11,584
Harris County Flood Control District	991,095,000	0.04%	396,438
Harris County Hospital District	65,285,000	0.04%	26,114
Klein Independent School District.....	1,339,560,000	0.91%	12,189,996
Lone Star College System.....	509,390,000	0.10%	509,390
Port of Houston Authority	426,134,397	0.04%	170,454
Harris County Emergency Service District #20.....	-	3.35%	-
Harris County Emergency Service District #11	-	0.33%	-
Total Estimated Overlapping Debt.....			\$ 14,335,111
District's Total Direct Debt.....			10,980,000
Total Direct and Estimated Overlapping Debt			\$ 25,315,111
Total Direct and Estimated Overlapping Debt as a Percentage of:			
2024 Certified Taxable Assessed Valuation of \$285,849,667.....			8.86%

TAX DATA

District Overlapping Tax Rates

The following table describes overlapping tax rates for tax year 2023. As of the date of the Official Statement, final overlapping tax rate information for tax year 2024 was not available.

	2023 Tax Rate Per \$100 Assessed Valuation ^(a)
Harris County	\$ 0.350000
Harris County Department of Education.....	0.005000
Harris County Flood Control District	0.031000
Harris County Hospital District	0.143000
Harris Toll Road	0.000000
Klein Independent School District.....	1.032000
Lone Star College System.....	0.108000
Port of Houston Authority	0.006000
Harris County Emergency Service District #20.....	0.100000
Harris County Emergency Service District #11	0.030175
Total Overlapping Tax Rate.....	\$ 1.805175
The District.....	1.250000 ^(b)
Total Tax Rate	\$ 3.055175

(a) Provided by the Harris County Tax Office.

(b) For tax year 2024, the District has adopted a total tax rate of \$0.90, which is composed of a Debt Service Tax Rate of \$0.15 and a Maintenance Tax Rate of \$0.75.

Classification of Assessed Valuation of the District

The following table describes the classification of taxable assessed valuation of the District for tax years 2019 through 2023. As of the date of the Official Statement, detailed classifications of taxable assessed valuations were not available for tax year 2024.

Tax Year	Type of Property			Gross Assessed Valuations	Exemptions	Net Assessed Valuations ^(a)
	Land	Improvements	Personal Property			
2019	\$42,856,830	\$140,965,369	\$5,675,357	\$189,497,556	\$(20,163,159)	\$169,334,397
2020	\$53,630,245	\$145,944,158	\$7,356,544	\$206,930,947	\$(20,456,790)	\$186,474,157
2021	\$55,136,081	\$157,694,257	\$5,934,183	\$218,764,521	\$(20,159,780)	\$198,604,741
2022	\$58,074,870	\$203,820,808	\$6,766,191	\$268,661,869	\$(44,182,708)	\$224,479,161
2023	\$59,068,483	\$250,299,934	\$7,255,140	\$316,623,557	\$(54,098,371)	\$262,525,186

(a) The Certified Taxable Assessed Values shown herein for the District are provided by HCAD.

District Tax Collections

The following statements of tax collections set forth in condensed form reflect the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District’s audited financial statements and records of the District’s tax assessor/collector. Reference is made to such audited financial statements and records for further and complete information. See “ – Classification of Assessed Valuation of the District.”

Tax Year	Net Taxable Assessed Valuation ^(a)	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2024 ^(b)	
				Amount	Percent
2019	\$169,969,713	\$1.2500	\$ 2,124,621	\$ 2,122,205	99.89%
2020	186,474,157	1.2500	2,356,951	2,354,504	99.90%
2021	198,604,741	1.2500	2,463,286	2,459,737	99.86%
2022	224,479,161	1.2500	2,800,563	2,794,732	99.90%
2023	262,531,204	1.2500	3,682,067	3,237,347	98.66%
2024	285,849,667	0.9000	NA	NA	NA

(a) Certified assessed valuations are provided by HCAD.
(b) As of July 31, 2024.

Tax Rates

The following information describes the ad valorem tax rate levied for the District.

	Tax Year ^(a)					
	2024	2023	2022	2021	2020	2019
Debt Service Tax Rate	\$0.150	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance Tax Rate	0.750	-	-	-	-	-
Total Tax Rate	\$0.900	\$1.250	\$1.250	\$1.250	\$1.250	\$1.250

(a) During the pendency of the Plan, the District levied a tax rate of \$1.25, the use of which that did not differentiate between the debt service tax rate and maintenance tax rate. See “APPENDIX C – INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023, Note 6 – Significant Bond Order and Commission Requirements,” for additional information regarding the treatment of the tax rate and tax revenue during the pendency of the Plan. Beginning with tax year 2024, the District will adopt a rate that includes a Debt Service Tax Rate Component and a Maintenance Tax Rate Component. For tax year 2024, the District adopted a total tax rate of \$0.90, which is composed of a Debt Service Tax Rate of \$0.15 and a Maintenance Tax Rate of \$0.75.

District Tax Rate Limitation

Debt Service Tax: Unlimited (no legal limit as to rate or amount). Maintenance Tax: \$0.75 per \$100 of Taxable Assessed Valuation.

Maintenance Tax

The Board has the authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electorate. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds which may be issued in the future. An election was held on November 3, 1981, at which a maintenance tax was voted not to exceed \$0.75 per \$100 of assessed valuation.

District Principal Taxpayers

The following list of the top principal taxpayers reflects ownership as of January 1, 2024 as provided by HCAD. Ownership changes since January 1, 2024, are not known to the District.

Name of Taxpayer	Nature of Property	2024 Taxable Assessed Valuation ^(a)	% of Total Taxable Assessed Valuation
10570 Fuqua LLC	Shopping Center/Mall	\$6,547,619	2.29%
LK Pop Holdings LLC	Commercial Building	2,640,000	0.92
Gra-Bammel North LLC	Gas Station/Convenience Store	1,945,538	0.68
SBJ Resch Family Partnership LTD	Storage Units/Warehouses	2,292,882	0.80
Carson Va Industrial LP	Office Buildings	2,289,887	0.80
Alsay Incorporated	Commercial Building	2,083,658	0.73
Ambience Property Inc	Residential Land	1,874,268	0.66
Molen Ward & Crystal	Commercial Building	1,234,873	0.43
Centerpoint Energy	Utility	1,149,400	0.40
Panelmatic Electric Solutions	Commercial Building	1,020,558	0.36
		<u>\$23,078,683</u>	<u>8.07%</u>

Tax Adequacy for District Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2024 Certified Taxable Assessed Valuation of \$285,849,667, or the Estimated Taxable Assessed Valuation as of August 1, 2024, of \$299,224,246. The calculations contained in the following table merely represent the tax rates required to pay the estimated principal of and interest on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "SELECTED FINANCIAL INFORMATION (UNAUDITED)—Debt Service Requirements" and "RISK FACTORS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirements (2025-2045)	\$ 767,258
\$0.2826 Tax Rate on the 2024 Certified Taxable Assessed Valuation at 95% Collections Produces	\$ 767,421
Maximum Annual Debt Service Requirements (2036)	\$ 791,600
\$0.2916 Tax Rate on the 2024 Certified Taxable Assessed Valuation at 95% Collections Produces	\$ 791,861
Average Annual Debt Service Requirements (2025-2045)	\$ 767,258
\$0.2700 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2024 at 95% Collections Produces	\$ 767,510
Maximum Annual Debt Service Requirements (2036)	\$ 791,600
\$0.2785 Tax Rate on the Estimated Taxable Assessed Valuation as of August 1, 2024 at 95% Collections Produces	\$ 791,673

The Estimated Taxable Assessed Valuation as of August 1, 2024 is provided by HCAD for informational purposes only. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2024 and August 1, 2024, will be certified as of January 1, 2025, and provided for purposes of taxation during the third or fourth calendar quarter of 2025. See "TAXING PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. HCAD has the responsibility for appraising property for all taxing units wholly within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by HCAD and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of HCAD.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property are subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2024 tax year, the District granted a \$12,000 exemption for residential homesteads of persons sixty-five (65) years or older or under a disability. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. 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. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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.

A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law on or after October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District adopted a resolution on August 13, 2007 to tax goods-in-transit personal property.

General Residential Homestead Exemptions

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District did not adopt a general homestead exemption for tax year 2023 or 2024.

Tax Exemption Provided to Lessees of Public Facility Corporations

Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC"), to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including ad valorem and sales taxes levied by such taxing authorities. A leasehold or other possessory interest in the public facility granted by the PFC entitles the user of the public facility to the same exemptions from taxation. An exemption authorized under the PFC Act for a multifamily residential development which is owned by a PFC created by a housing authority which does not have at least 20% of its units reserved for units for which the landlord receives a public housing operating subsidy applies only if (i) the housing authority holds a public hearing to approve the development and (ii) at least 50% of the units in the multifamily residential development are reserved for occupancy by individuals and families earning less than 80% of the area median family income.

Valuation of Property for Taxation

Generally, property in the District must be appraised by HCAD at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. Currently, the appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by HCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by HCAD or whether reappraisals will be conducted on a zone or such county-wide basis.

On July 13, 2023, during the Second Special Session of the 88th Texas Legislature (the "Second Special Session"), the Legislature passed SB 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new

improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value. The Appraisal Cap became effective on January 1, 2024.

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed, and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

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 petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. 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 HCAD to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land’s capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax 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 such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and HCAD is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

Tax Abatement

The City of Houston, Harris County, or the District may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and/or by 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 a comprehensive plan. According to the District’s Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by HCAD. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including HCAD, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency 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.

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

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

Developing Districts:

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

The District:

A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2024 tax year, the Board of Directors determined that the District's classification is that of a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, 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 each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "TAX DATA – District Overlapping Tax Rates." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law.

LEGAL MATTERS

Legal Opinions

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

In addition to serving as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Bracewell LLP, Houston, Texas, as Disclosure Counsel. A portion of the legal fees paid to Disclosure Counsel 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.

Legal Review

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

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the Date of Delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District’s certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of present officers and directors of the Board.

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 from that set forth or contemplated in this Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

Opinion

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

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be include in the gross income retroactively do the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

Collateral Federal Income Tax Consequences

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual

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

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

Tax Accounting Treatment of Premium Bonds

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

Future and Proposed Legislation

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB through its EMMA system. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION (UNAUDITED)," "THE SYSTEM – Waterworks and Sewer Operating Statement Information of the District," "DISTRICT DEBT" (except for the subheadings "Current Investments" and "Estimated Overlapping Debt Statement"), "TAX DATA" under the subheadings "– District Overlapping Tax Rates," "– Classification of Assessed Valuation of the District," "– District Tax Collections," "– Tax Rates," "– District Principal Taxpayers," and "– Tax Adequacy for District Debt Service," and "APPENDIX C – INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023."

The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the U.S. Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”).

The District’s current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 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.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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, any of which reflect financial difficulties. The term “financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. Neither the Bonds nor the Bond Order makes any provision for liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA System.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or 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 from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an initial purchaser to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment 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 holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has not been subject to continuing disclosure undertakings made in accordance with the Rule.

PREPARATION OF OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Bookkeeper, the Developer, the Tax Assessor/Collector, HCAD 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, orders 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.

Consultants

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned “THE DISTRICT – General,” “– Development in the District,” – Land Use,” and “THE SYSTEM” has been provided by the Engineer 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 this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the section captioned “TAX DATA” has been provided by HCAD and the District’s Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

The financial statements of the District for the fiscal year ended December 31, 2023, that are included in this offering document, have been audited by Forvis Mazars, LLP independent auditors, as stated in their report appearing herein. See “APPENDIX C – INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023.”

Changes to this Official Statement

If subsequent to the date of this 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 this Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described in the Notice of Sale under “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Conditions to Delivery,” the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that the Initial Purchaser retains an unsold balance of the Bonds for sale to the public, in which case the District’s obligations hereunder will extend for an additional period of time as provided in SEC Rule 15c2- 12 (but not more than 25 days after the end of the underwriting period).

Certification as to Official Statement

The District, acting by and through its Board in its official capacity in reliance upon the consultants listed above, hereby certifies, as of the date hereof, that to the best of its knowledge, 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.

Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements and other sources that 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 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.

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APPENDIX A
GROUND PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(September 19, 2024)

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APPENDIX C

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

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Harris County Municipal
Utility District No. 202
Harris County, Texas

**Independent Auditor's Report and
Financial Statements**

December 31, 2023



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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 202
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 202 (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
July 19, 2024**

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

**Harris County Municipal Utility District No. 202
Management's Discussion and Analysis (Continued)
December 31, 2023**

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 6,395,152	\$ 5,435,144
Capital assets	<u>6,377,502</u>	<u>5,663,591</u>
Total assets	<u>\$ 12,772,654</u>	<u>\$ 11,098,735</u>
Long-term liabilities	\$ 6,157,108	\$ 5,747,005
Other liabilities	<u>337,534</u>	<u>331,651</u>
Total liabilities	<u>6,494,642</u>	<u>6,078,656</u>
Deferred inflows of resources	<u>3,281,565</u>	<u>2,805,990</u>

**Harris County Municipal Utility District No. 202
Management's Discussion and Analysis (Continued)
December 31, 2023**

Summary of Net Position (Continued)

	<u>2023</u>	<u>2022</u>
Net position:		
Net investment in capital assets	\$ 220,394	\$ (83,414)
Restricted	85,955	33,796
Unrestricted	<u>2,690,098</u>	<u>2,263,707</u>
Total net position	<u>\$ 2,996,447</u>	<u>\$ 2,214,089</u>

The total net position of the District increased by \$782,358, or about 35%. The majority of the increase in net position is related to property taxes and charges for services revenues exceeding services expenses and conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Property taxes	\$ 2,797,753	\$ 2,461,279
Charges for services	1,421,092	1,382,419
Other revenues	<u>265,565</u>	<u>216,535</u>
Total revenues	<u>4,484,410</u>	<u>4,060,233</u>
Expenses:		
Services	2,137,126	2,049,402
Conveyance of capital assets	1,317,851	115,701
Depreciation	188,775	175,754
Debt service	<u>58,300</u>	<u>16,928</u>
Total expenses	<u>3,702,052</u>	<u>2,357,785</u>
Change in net position	782,358	1,702,448
Net position, beginning of year	<u>2,214,089</u>	<u>511,641</u>
Net position, end of year	<u>\$ 2,996,447</u>	<u>\$ 2,214,089</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2023, were \$2,319,263, an increase of \$481,274 from the prior year.

The general fund's fund balance increased by \$429,115 due to property tax and service revenues, investment income and developer advances received exceeding service operations and capital outlay expenditures and interest payments under the District's bankruptcy plan.

**Harris County Municipal Utility District No. 202
Management's Discussion and Analysis (Continued)
December 31, 2023**

The District's special revenue fund's fund balance increased by \$52,159 due to an increase in the District's share of the operating reserve.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water service revenues and repairs and maintenance expenditures being lower than anticipated and property tax revenues and contracted services expenditures being higher than anticipated. In addition, investment income and developer advances received as well as capital outlay expenditures and bond issuance costs incurred and interest payments made under the District's bankruptcy plan were not included in the current year budget. The fund balance as of December 31, 2023, was expected to be \$3,617,243 and the actual end-of-year fund balance was \$2,233,308.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 2,426,936	\$ 2,426,936
Construction in progress	316,720	-
Water facilities	1,219,780	1,014,622
Wastewater facilities	<u>2,414,066</u>	<u>2,222,033</u>
Total capital assets	<u>\$ 6,377,502</u>	<u>\$ 5,663,591</u>

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

Construction in progress related to water and sewer facilities to serve Champions Oaks, Sections 4 and 5 and expansion of lift station No. 3	\$ 316,720
Water and sewer facilities to serve Champions Oak, Section 3	<u>585,966</u>
Total additions to capital assets	<u>\$ 902,686</u>

Debt

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

Long-term debt payable, beginning of year	\$ 5,747,005
Increases in long-term debt	2,211,103
Decreases in long-term debt	<u>(1,801,000)</u>
Long-term debt payable, end of year	<u>\$ 6,157,108</u>

**Harris County Municipal Utility District No. 202
Management's Discussion and Analysis (Continued)
December 31, 2023**

A developer within the District has constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues or available cash, subject to approval of the Commission. As of December 31, 2023, a liability for developer constructed capital assets of \$5,065,488 was recorded in the government-wide financial statements.

A developer of the District has advanced \$313,400 to the District for a construction project. The District has agreed to reimburse this amount, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. This amount has been recorded in the financial statements as a long-term liability.

At December 31, 2023, the District had \$54,800,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

Other Relevant Factors

Relationship to the City of Houston

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

Plan of Adjustment

On March 30, 1994, the District filed a voluntary petition of adjustment under Chapter IX of the United States Bankruptcy Code. The order of confirmation of the Plan of Adjustment was entered by the United States Bankruptcy Court on August 22, 1995, and became effective December 11, 1995. The accompanying financial statements have been adjusted to reflect this debt adjustment.

Contingencies

A developer is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from available funds to the extent approved by the Commission. The District's engineer has stated current construction contract amounts are approximately \$468,600. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Harris County Municipal Utility District No. 202
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2023

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 378,654	\$ 267,122	\$ 645,776	\$ -	\$ 645,776
Short-term investments	2,395,358	-	2,395,358	-	2,395,358
Receivables:					
Property taxes	2,866,733	-	2,866,733	-	2,866,733
Service accounts	69,817	-	69,817	-	69,817
Accrued penalty and interest	-	-	-	64,871	64,871
Due from others	6,000	-	6,000	325,794	331,794
Due from participants	-	4,964	4,964	-	4,964
Interfund receivables	100,000	14,449	114,449	(114,449)	-
Prepaid expenditures	15,839	-	15,839	-	15,839
Capital assets (net of accumulated depreciation):					
Land	-	-	-	2,426,936	2,426,936
Construction in progress	-	-	-	316,720	316,720
Infrastructure	-	-	-	3,633,846	3,633,846
Total assets	\$ 5,832,401	\$ 286,535	\$ 6,118,936	\$ 6,653,718	\$ 12,772,654

Harris County Municipal Utility District No. 202
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
December 31, 2023

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
Liabilities					
Accounts payable	\$ 101,762	\$ 19,760	\$ 121,522	\$ -	\$ 121,522
Customer deposits	99,175	-	99,175	-	99,175
Operating deposits	-	80,820	80,820	-	80,820
Due to others	36,017	-	36,017	-	36,017
Interfund payables	14,449	100,000	114,449	(114,449)	-
Long-term liabilities:					
Due within one year	-	-	-	396,220	396,220
Due after one year	-	-	-	5,760,888	5,760,888
Total liabilities	<u>251,403</u>	<u>200,580</u>	<u>451,983</u>	<u>6,042,659</u>	<u>6,494,642</u>
Deferred Inflows of Resources					
Deferred property tax revenues	<u>3,347,690</u>	<u>-</u>	<u>3,347,690</u>	<u>(66,125)</u>	<u>3,281,565</u>
Fund Balances/Net Position					
Fund balances:					
Nonspendable, prepaid expenditures	15,839	-	15,839	(15,839)	-
Committed, wastewater treatment and collection	-	85,955	85,955	(85,955)	-
Unassigned	<u>2,217,469</u>	<u>-</u>	<u>2,217,469</u>	<u>(2,217,469)</u>	<u>-</u>
Total fund balances	<u>2,233,308</u>	<u>85,955</u>	<u>2,319,263</u>	<u>(2,319,263)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,832,401</u>	<u>\$ 286,535</u>	<u>\$ 6,118,936</u>		
Net position:					
Net investment in capital assets				220,394	220,394
Restricted for plant operations				85,955	85,955
Unrestricted				<u>2,690,098</u>	<u>2,690,098</u>
Total net position				<u>\$ 2,996,447</u>	<u>\$ 2,996,447</u>

Harris County Municipal Utility District No. 202
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
December 31, 2023

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 2,796,078	\$ -	\$ 2,796,078	\$ 1,675	\$ 2,797,753
Water service	263,366	-	263,366	-	263,366
Sewer service	431,049	576,524	1,007,573	(340,530)	667,043
Regional water fee	490,683	-	490,683	-	490,683
Penalty and interest	37,454	-	37,454	5,561	43,015
Tap connection and inspection fees	65,145	-	65,145	-	65,145
Investment income	115,965	20	115,985	18,680	134,665
Other income	22,740	-	22,740	-	22,740
	<u>4,222,480</u>	<u>576,544</u>	<u>4,799,024</u>	<u>(314,614)</u>	<u>4,484,410</u>
Total revenues					
Expenditures/Expenses					
Service operations:					
Purchased services	801,651	-	801,651	(340,530)	461,121
Regional water fee	33,996	-	33,996	-	33,996
Professional fees	191,043	12,148	203,191	-	203,191
Contracted services	401,966	49,038	451,004	-	451,004
Utilities	43,132	83,892	127,024	-	127,024
Repairs and maintenance	305,870	395,071	700,941	-	700,941
Other expenditures	91,954	36,395	128,349	-	128,349
Tap connections	31,500	-	31,500	-	31,500
Capital outlay	322,834	-	322,834	(322,834)	-
Conveyance of capital assets	-	-	-	1,317,851	1,317,851
Depreciation	-	-	-	188,775	188,775
Debt service, bond issuance costs	58,300	-	58,300	-	58,300
Bankruptcy payment	1,801,000	-	1,801,000	(1,801,000)	-
	<u>4,083,246</u>	<u>576,544</u>	<u>4,659,790</u>	<u>(957,738)</u>	<u>3,702,052</u>
Total expenditures/expenses					
Excess of Revenues Over Expenditures					
	<u>139,234</u>	<u>-</u>	<u>139,234</u>	<u>643,124</u>	

Harris County Municipal Utility District No. 202
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances (Continued)
December 31, 2023

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)					
Interfund transfers in (out)	\$ (52,159)	\$ 52,159	\$ -	\$ -	
Developer advances	313,400	-	313,400	(313,400)	
Return of capital	28,640	-	28,640	(28,640)	
Total other financing sources	<u>289,881</u>	<u>52,159</u>	<u>342,040</u>	<u>(342,040)</u>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	429,115	52,159	481,274	(481,274)	
Change in Net Position				782,358	\$ 782,358
Fund Balances/Net Position					
Beginning of year	<u>1,804,193</u>	<u>33,796</u>	<u>1,837,989</u>	-	<u>2,214,089</u>
End of year	<u>\$ 2,233,308</u>	<u>\$ 85,955</u>	<u>\$ 2,319,263</u>	<u>\$ 0</u>	<u>\$ 2,996,447</u>

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

Harris County Municipal Utility District No. 202 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective July 15, 1981, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

Special Revenue Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees.

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

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

Harris County Municipal Utility District No. 202
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December 31, 2023

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

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

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

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

Capital Assets

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

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

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

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

Debt Issuance Costs

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 6,377,502
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	66,125
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	64,871
Amounts due from the North Harris County Regional Water Authority (the Authority) are not receivable in the current period and are not reported in the funds.	305,433
Amounts due from a developer are not receivable in the current period and are not reported in the funds.	20,361
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(6,157,108)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ 677,184</u>

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

Change in fund balances.	\$ 481,274
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and conveyed capital assets exceeded capital outlay expenditures in the current period.	(1,183,792)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(313,400)
Governmental funds reflect payments on long-term debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,801,000
Revenues collected in the current period, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	<u>(2,724)</u>
Change in net position of governmental activities.	<u>\$ 782,358</u>

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

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

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

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

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. The District's investments in TexPool are reported at amortized cost.

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

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 2,395,358	\$ 2,395,358	\$ -	\$ -	\$ -

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

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

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

Summary of Carrying Values

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

Carrying value:		
Deposits	\$	645,776
Investments		<u>2,395,358</u>
Total	\$	<u><u>3,041,134</u></u>

Investment Income

Investment income of \$134,665 for the year ended December 31, 2023, consisted of \$115,985 of interest income on deposits and investments and \$18,680 of interest on capital contributions with the Authority.

Note 3. Plan of Adjustment

On March 30, 1994, the District filed a voluntary petition of adjustment under Chapter IX of the United States Bankruptcy Code. The order of confirmation of the Plan of Adjustment (the Plan) was entered by the United States Bankruptcy Court on August 22, 1995, and became effective December 11, 1995. The accompanying financial statements have been adjusted to reflect this debt adjustment.

Significant aspects of the Plan are as follows:

Class 1 Claims – Administrative Expenses

Administrative claims total approximately \$67,000 and are to be paid before any distributions are made to Class 4 or Class 5 claimants. The administrative claims were liquidated in 1996.

Class 3 Claims – Taxing Jurisdictions and Associations

The District received 80 undeveloped lots and approximately 53 acres of undeveloped land in settlement of litigation for collection of 1993 standby fees. The District's taxes for the years 1993 through prorated 1995 on this property are no longer outstanding as a result of this transaction. The property was subject to approximately \$205,000 in property taxes and assessment fees levied by other taxing jurisdictions and maintenance associations. Since 1996, all but 6.38 acres have been sold and the past taxes were paid. In 2000, the District paid the outstanding taxes on the remaining acres. This payment liquidated the taxing jurisdictions and association claims.

Class 4 Claims – General Unsecured

All creditors with unsecured claims will receive annual installments based on 15% of cash available for creditors, as defined in the Plan, as of December 31 of each year until paid in full. Unsecured claims approximate \$167,000. No payment was due to general unsecured creditors until January 31, 1998, and only then are payments to be made if there is cash available for creditors. The general unsecured claims were liquidated in 2007.

Class 5 Claims – Bondholders

The Plan provides for the bondholders to receive principal and interest due, but unpaid, as of the effective date of the Plan. Accrued unpaid interest was approximately \$929,550 at the effective date. The bondholders are to receive interest at the rate of 7% after the effective date with the accrual of additional interest at the original interest rate less 7% currently due. Further, interest accruing annually at 7%, which remains unpaid, shall bear interest at 7% per annum, specifically as set out in the First Amendment to the Plan. In accordance with the Plan,

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

the District has amended its Series 1984 and 1986 Bond Orders. Under the Plan, the District will not impose a combined debt service and maintenance ad valorem tax at a rate higher than \$1.25 per \$100 of assessed valuation to pay the bondholders. Annually, the District will determine its available cash for the purpose of distributing payments to the bondholders.

Payments are to be credited to amounts in the following order:

1. A 7% post-petition annual interest
2. A 7% interest on unpaid post-petition interest pursuant to First Amendment
3. Principal based on original maturity dates
4. Pre-petition interest
5. Additional interest based on original coupon rates less 7% interest previously paid

Interest payments of \$1,801,000 were made during the year ended December 31, 2023.

Class 6 Claims – Prior Developer Reimbursables

Champions Point, Ltd., has claimed to be due approximately \$382,000 for facility construction costs and cash advances to the District. These amounts are to be paid after all other claims against the District have been paid and after payment for any new capital expenditures made after January 1, 1995, by new developers for improvements reimbursable under state law.

Note 4. Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 2,426,936	\$ -	\$ 2,426,936
Construction in progress	-	316,720	316,720
Total capital assets, non-depreciable	2,426,936	316,720	2,743,656
Capital assets, depreciable:			
Water production and distribution facilities	2,437,910	270,353	2,708,263
Wastewater collection and treatment facilities	4,225,502	315,613	4,541,115
Total capital assets, depreciable	6,663,412	585,966	7,249,378
Less accumulated depreciation:			
Water production and distribution facilities	(1,423,288)	(65,195)	(1,488,483)
Wastewater collection and treatment facilities	(2,003,469)	(123,580)	(2,127,049)
Total accumulated depreciation	(3,426,757)	(188,775)	(3,615,532)
Total governmental activities, net	\$ 5,663,591	\$ 713,911	\$ 6,377,502

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

Note 5. Long-Term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
Accumulated accrued interest	\$ 2,197,220	\$ -	\$ 1,801,000	\$ 396,220	\$ 396,220
Due to developers, Class 6 claims	382,000	-	-	382,000	-
Due to developers	3,167,785	1,897,703	-	5,065,488	-
Developer advances - construction	-	313,400	-	313,400	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities long-term liabilities	<u>\$ 5,747,005</u>	<u>\$ 2,211,103</u>	<u>\$ 1,801,000</u>	<u>\$ 6,157,108</u>	<u>\$ 396,220</u>

General Obligation Bonds

Bonds voted	\$ 59,000,000
Bonds sold	4,200,000
Refunding bonds voted	74,000,000

As disclosed previously, the District is obligated to make debt service payments to the extent that it has available cash. In 2021, the District paid off the outstanding principal balance due on its bonds. Accrued unpaid interest was approximately \$929,550 at the effective date of the Plan. In addition, interest accrues as shown previously starting on the effective date. This accrued unpaid interest was approximately \$396,200 at December 31, 2023, and was paid to bondholders subsequent to year end.

Due to Developer

A developer of the District has constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales or available cash. The District's engineer estimates reimbursable costs for completed projects are \$5,065,488. This amount has been recorded in the financial statements as long-term liabilities.

A developer of the District has also advanced \$313,400 to the District for a construction project. The District has agreed to reimburse this amount, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. This amount has been recorded in the financial statements as a long-term liability.

Note 6. Significant Bond Order and Commission Requirements

- A. The Plan approved by the Bankruptcy Court requires that the District levy a combined debt service and maintenance tax at a rate of \$1.2500 per \$100 of assessed valuation. Voters authorized a maintenance tax rate not to exceed \$0.7500 per \$100 of assessed valuation at an election held November 3, 1981. During the year ended December 31, 2023, the District levied an ad valorem debt service tax at the rate

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

of \$0.5000 and a maintenance tax at the rate of \$0.7500 per \$100 of assessed valuation, which resulted in a tax levy of \$1,312,626 and \$1,968,939, respectively, on the taxable valuation of \$262,525,186 for the 2023 tax year.

- B. As a result of restructuring, the District can use all available resources to operate its water and sewer systems. Accordingly, the District records all transactions in the general fund.

Note 7. Regional Water Authority

The District is within the boundaries of the Authority which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of December 31, 2023, the Authority was billing the District \$3.60 per 1,000 gallons of water pumped from its wells and \$4.05 per 1,000 gallons of surface water received from the Authority. These amounts are subject to future adjustments.

During a prior year, the District entered into an agreement with the Authority for reimbursement of chloramine conversion costs. The agreement allows for reimbursement of \$394,219 in chloramine system costs. The District will receive payment through credits for District pumpage fees and water payments as they become due each year. These repayments accrue interest at 6.00% per year and will be repaid with principal and interest payments from 2011 through 2041.

The repayments outstanding are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 28,640
2025	28,640
2026	28,640
2027	28,640
2028	28,640
2029-2033	143,198
2034-2038	143,198
2039-2041	<u>59,659</u>
	489,255
Less amount representing interest	<u>(183,822)</u>
	<u>\$ 305,433</u>

Note 8. Contracts With Other Districts

On December 13, 2004, the District entered into an agreement with Northwest Harris County Municipal Utility District No. 6 (District No. 6) to construct and operate a joint wastewater treatment plant. The participants are to share fixed operating costs based on their pro rata share of ownership. Variable costs are shared based on pumpage. Each participant's allocated capacity is as follows:

The District	51.70%
District No. 6	<u>48.30</u>
	<u>100.00%</u>

Harris County Municipal Utility District No. 202
Notes to Financial Statements
December 31, 2023

Transactions for the wastewater treatment plant for the year ended December 31, 2023, are as follows:

	The District	District No. 6	Total
Due from participants, beginning of year	\$ 23,664	\$ 19,064	\$ 42,728
Current year billings	340,530	235,994	576,524
Current year collections	<u>(349,745)</u>	<u>(250,094)</u>	<u>(599,839)</u>
Due from participants, end of year	<u>14,449</u>	<u>4,964</u>	<u>19,413</u>

On May 10, 2021, the District entered into a 40-year agreement with Harris County Water Control and Improvement District No. 109 (District No. 109). Under the terms of the agreement, District No. 109 will provide wastewater treatment service to residential lots to be developed on an Annexation Tract within the boundaries of the District. The District shall pay all costs of acquisition and installation and will own and have title to the interconnect facilities, as well as be 100% responsible for the costs of operating, maintaining, testing, repairing or replacing of the interconnect facilities. The District shall pay District No. 109 a one-time Capital Recovery Fee of \$101,250, which was paid by the District's developer on behalf of the District during the prior year. The District shall pay District No. 109 monthly for each connection for which wastewater treatment service is being provided in an amount equal to 110% of the amount paid by District No. 109's residential customers for wastewater treatment service in accordance with the then-current rate order. During the current year, the District did not receive any wastewater treatment service under this agreement.

Note 9. Risk Management

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

Note 10. Contingencies

A developer is constructing facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from available funds to the extent approved by the Commission. The District's engineer has stated current construction contract amounts are approximately \$468,600. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

**Harris County Municipal Utility District No. 202
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2023**

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 2,700,000	\$ 2,796,078	\$ 96,078
Water service	350,000	263,366	(86,634)
Sewer service	385,000	431,049	46,049
Regional water fee	525,000	490,683	(34,317)
Penalty and interest	300	37,454	37,154
Tap connection and inspection fees	50,000	65,145	15,145
Investment income	-	115,965	115,965
Other income	-	22,740	22,740
	<u>4,010,300</u>	<u>4,222,480</u>	<u>212,180</u>
Expenditures			
Service operations:			
Purchased services	869,000	801,651	67,349
Regional water fee	-	33,996	(33,996)
Professional fees	208,000	191,043	16,957
Contracted services	305,650	401,966	(96,316)
Utilities	40,000	43,132	(3,132)
Repairs and maintenance	658,200	305,870	352,330
Other expenditures	91,400	91,954	(554)
Tap connections	25,000	31,500	(6,500)
Bankruptcy payment	-	1,801,000	(1,801,000)
Debt service, bond issuance costs	-	58,300	(58,300)
Capital outlay	-	322,834	(322,834)
	<u>2,197,250</u>	<u>4,083,246</u>	<u>(1,885,996)</u>
Excess of Revenues Over Expenditures	<u>1,813,050</u>	<u>139,234</u>	<u>(1,673,816)</u>
Other Financing Sources (Uses)			
Interfund transfers out	-	(52,159)	(52,159)
Developer advances	-	313,400	313,400
Return of capital	-	28,640	28,640
	<u>-</u>	<u>289,881</u>	<u>289,881</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>1,813,050</u>	<u>429,115</u>	<u>(1,383,935)</u>
Fund Balance, Beginning of Year	<u>1,804,193</u>	<u>1,804,193</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,617,243</u>	<u>\$ 2,233,308</u>	<u>\$ (1,383,935)</u>

**Harris County Municipal Utility District No. 202
 Budgetary Comparison Schedule – Special Revenue Fund
 Year Ended December 31, 2023**

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	\$ 667,100	\$ 576,524	\$ (90,576)
Investment income	-	20	20
Total revenues	<u>667,100</u>	<u>576,544</u>	<u>(90,556)</u>
Expenditures			
Service operations:			
Professional fees	63,000	12,148	50,852
Contracted services	47,900	49,038	(1,138)
Utilities	100,000	83,892	16,108
Repairs and maintenance	417,000	395,071	21,929
Other expenditures	39,200	36,395	2,805
Total expenditures	<u>667,100</u>	<u>576,544</u>	<u>90,556</u>
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfer in	-	52,159	52,159
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	52,159	52,159
Fund Balance, Beginning of Year	<u>33,796</u>	<u>33,796</u>	-
Fund Balance, End of Year	<u>\$ 33,796</u>	<u>\$ 85,955</u>	<u>\$ 52,159</u>

Harris County Municipal Utility District No. 202
Notes to Required Supplementary Information
December 31, 2023

Budgets and Budgetary Accounting

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

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

Supplementary Information

Harris County Municipal Utility District No. 202
Other Schedules Included Within This Report
December 31, 2023

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

- Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-23
- Schedule of Services and Rates
- Schedule of General Fund Expenditures
- Schedule of Temporary Investments
- Analysis of Taxes Levied and Receivable
- Schedule of Long-Term Debt Service Requirements by Years – Not Applicable
- Changes in Long-Term Bonded Debt
- Comparative Schedule of Revenues and Expenditures – General Fund – Five Years
- Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 202
Schedule of Services and Rates
Year Ended December 31, 2023

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 15.00	5,000	N	\$ 1.25	5,001 to 10,000
				\$ 1.50	10,001 to 20,000
				\$ 2.00	20,001 to No Limit
Wastewater:	\$ 33.06	5,000	N	\$ 1.25	5,001 to 10,000
				\$ 1.50	10,001 to 20,000
				\$ 2.00	20,001 to No Limit

Regional water fee: \$ 4.46 per 1,000 gallons

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water \$ 65.85 Wastewater \$ 39.31

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	983	977	x1.0	977
1"	8	8	x2.5	20
1 1/2"	-	-	x5.0	-
2"	17	16	x8.0	128
3"	1	1	x15.0	15
4"	1	1	x25.0	25
6"	5	5	x50.0	250
8"	2	2	x80.0	160
10"	-	-	x115.0	-
Total water	1,017	1,010		1,575
Total wastewater	991	991	x1.0	991

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

Gallons pumped into the system:	114,794
Gallons billed to customers:	111,553
Water accountability ratio (gallons billed/gallons pumped):	97.18%

**ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 202
Schedule of General Fund Expenditures
December 31, 2023

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	20,900	
Legal	138,306	
Engineering	31,837	
Financial advisor	-	191,043
Purchased Services for Resale		
Bulk water and wastewater service purchases		801,651
Regional Water Fee		33,996
Contracted Services		
Bookkeeping	23,280	
General manager	-	
Appraisal district	21,806	
Tax collector	15,183	
Security	78,573	
Other contracted services	99,066	237,908
Utilities		43,132
Repairs and Maintenance		305,870
Administrative Expenditures		
Directors' fees	23,208	
Office supplies	35,379	
Insurance	11,187	
Other administrative expenditures	22,180	91,954
Capital Outlay		
Capitalized assets	322,834	
Expenditures not capitalized	-	322,834
Tap Connection Expenditures		31,500
Solid Waste Disposal		164,058
Fire Fighting		-
Bankruptcy Payment		1,801,000
Other Expenditures		58,300
Total expenditures		<u>\$ 4,083,246</u>

Harris County Municipal Utility District No. 202
Schedule of Temporary Investments
December 31, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	5.38%	Demand	<u>\$ 2,395,358</u>	<u>\$ 0</u>

Harris County Municipal Utility District No. 202
Analysis of Taxes Levied and Receivable
Year Ended December 31, 2023

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 1,344,780	\$ 896,520
Additions and corrections to prior years' taxes	<u>(4,942)</u>	<u>(3,295)</u>
Adjusted receivable, beginning of year	<u>1,339,838</u>	<u>893,225</u>
2023 Original Tax Levy	1,935,980	1,290,654
Additions and corrections	<u>32,959</u>	<u>21,972</u>
Adjusted tax levy	<u>1,968,939</u>	<u>1,312,626</u>
Total to be accounted for	3,308,777	2,205,851
Tax collections: Current year	(288,574)	(192,383)
Prior years	<u>(1,300,163)</u>	<u>(866,775)</u>
Receivable, end of year	<u><u>\$ 1,720,040</u></u>	<u><u>\$ 1,146,693</u></u>
Receivable, by Years		
2023	\$ 1,680,365	\$ 1,120,243
2022	8,646	5,764
2021	3,559	2,373
2020	2,689	1,793
2019	2,683	1,788
2018	2,165	1,443
2017	2,023	1,349
2016	1,924	1,282
2015	1,765	1,177
2014	1,588	1,059
2013	1,484	989
2012	1,418	945
2011	1,418	945
2010	1,207	805
2009	800	533
2008	900	600
2007	924	616
2006	835	557
2005	835	557
2004	835	556
2003	903	602
2002	820	547
2001	<u>254</u>	<u>170</u>
Receivable, end of year	<u><u>\$ 1,720,040</u></u>	<u><u>\$ 1,146,693</u></u>

Harris County Municipal Utility District No. 202
Analysis of Taxes Levied and Receivable (Continued)
Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations				
Land	\$ 59,068,483	\$ 58,074,870	\$ 55,136,081	\$ 53,630,245
Improvements	250,299,934	203,820,808	157,694,257	145,944,158
Personal property	7,255,140	6,766,191	5,934,183	7,356,544
Exemptions	<u>(54,098,371)</u>	<u>(44,182,708)</u>	<u>(20,159,780)</u>	<u>(20,456,790)</u>
Total property valuations	<u>\$ 262,525,186</u>	<u>\$ 224,479,161</u>	<u>\$ 198,604,741</u>	<u>\$ 186,474,157</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.5000	\$ 0.5000	\$ 0.5000	\$ 0.5000
Maintenance tax rates*	<u>0.7500</u>	<u>0.7500</u>	<u>0.7500</u>	<u>0.7500</u>
Total tax rates per \$100 valuation	<u>\$ 1.2500</u>	<u>\$ 1.2500</u>	<u>\$ 1.2500</u>	<u>\$ 1.2500</u>
Tax Levy	<u>\$ 3,281,565</u>	<u>\$ 2,805,990</u>	<u>\$ 2,482,560</u>	<u>\$ 2,330,927</u>
Percent of Taxes Collected to Taxes Levied**				
	<u>15%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$0.75 on November 3, 1981

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

Harris County Municipal Utility District No. 202
Changes in Long-Term Bonded Debt
Year Ended December 31, 2023

	Bond Issues		
	Amended Series 1984	Amended Series 1986	Totals
Interest rates	7.00%	7.00%	
Additional interest accrual rates	4.00% to 7.00%	1.00% to 2.70%	
Payment dates	**	**	
Maturity dates	January 31 **	January 31 **	
Bonds outstanding, beginning of current year	\$ -	\$ -	\$ -
Retirements, principal	-	-	-
Bonds outstanding, end of current year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Interest paid during current year	<u>\$ 1,300,625</u>	<u>\$ 500,375</u>	<u>\$ 1,801,000</u>

Paying agent's name and address:

Series 1984 - Wells Fargo Bank Texas, N.A., Houston, Texas

Series 1986 - Wells Fargo Bank Texas, N.A., Houston, Texas

Bond authority:	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 59,000,000	\$ -	\$ 74,000,000
Amount issued	<u>\$ 4,200,000</u>	<u>\$ -</u>	<u>\$ -</u>
Remaining to be issued	<u>\$ 54,800,000</u>	<u>\$ -</u>	<u>\$ 74,000,000</u>

Debt service fund cash and temporary investment balances as of December 31, 2023: *

Average annual debt service payment (principal and interest) for remaining term of all debt: **

*The District has combined its general and debt service funds.

**The amended bonds have no set maturity date.

Harris County Municipal Utility District No. 202
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended December 31,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 2,796,078	\$ 2,450,779	\$ 2,355,316	\$ 2,119,820	\$ 1,992,843
Water service	263,366	247,875	214,391	212,665	228,847
Sewer service	431,049	399,851	369,954	366,418	365,489
Regional water fee	490,683	521,186	401,583	398,277	346,688
Penalty and interest	37,454	40,714	29,873	21,411	38,979
Tap connection and inspection fees	65,145	69,765	60,975	5,040	26,895
Investment income	115,965	28,862	1,057	8,393	36,208
Other income	22,740	23,190	6,900	6,085	6,702
Total revenues	<u>4,222,480</u>	<u>3,782,222</u>	<u>3,440,049</u>	<u>3,138,109</u>	<u>3,042,651</u>
Expenditures					
Service operations:					
Purchased services	801,651	934,857	603,451	584,583	563,267
Professional fees	191,043	187,699	180,135	173,513	144,349
Regional water fee	33,996	13,078	76,389	5,758	5,907
Contracted services	401,966	374,169	327,270	318,586	294,103
Utilities	43,132	38,597	32,684	28,489	24,424
Repairs and maintenance	305,870	285,272	264,750	160,808	207,018
Other expenditures	91,954	82,916	73,620	67,957	68,408
Tap connections	31,500	30,950	34,250	-	23,194
Principal retirement	-	-	1,250,000	1,600,000	1,075,000
Capital outlay	322,834	-	200,983	-	-
Debt service, bond issuance costs	58,300	-	-	-	-
Bankruptcy payment	1,801,000	1,522,752	899,136	199,500	349,977
Total expenditures	<u>4,083,246</u>	<u>3,470,290</u>	<u>3,942,668</u>	<u>3,139,194</u>	<u>2,755,647</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>139,234</u>	<u>311,932</u>	<u>(502,619)</u>	<u>(1,085)</u>	<u>287,004</u>
Other Financing Sources (Uses)					
Return of capital	28,640	28,640	28,640	28,640	28,640
Developer advances	313,400	-	-	-	-
Interfund transfers out	(52,159)	-	-	-	-
Total other financing sources	<u>289,881</u>	<u>28,640</u>	<u>28,640</u>	<u>28,640</u>	<u>28,640</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	429,115	340,572	(473,979)	27,555	315,644
Fund Balance, Beginning of Year	<u>1,804,193</u>	<u>1,463,621</u>	<u>1,937,600</u>	<u>1,910,045</u>	<u>1,594,401</u>
Fund Balance, End of Year	<u>\$ 2,233,308</u>	<u>\$ 1,804,193</u>	<u>\$ 1,463,621</u>	<u>\$ 1,937,600</u>	<u>\$ 1,910,045</u>
Total Active Retail Water Connections	<u>1,010</u>	<u>970</u>	<u>960</u>	<u>931</u>	<u>928</u>
Total Active Retail Wastewater Connections	<u>991</u>	<u>949</u>	<u>936</u>	<u>904</u>	<u>904</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
66.2 %	64.8 %	68.5 %	67.5 %	65.5 %
6.2	6.6	6.2	6.8	7.5
10.2	10.6	10.7	11.7	12.0
11.6	13.8	11.7	12.7	11.4
0.9	1.1	0.9	0.7	1.3
1.5	1.8	1.8	0.1	0.9
2.8	0.7	0.0	0.3	1.2
0.6	0.6	0.2	0.2	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
19.0	24.7	17.5	18.6	18.5
4.5	5.0	5.2	5.5	4.7
0.8	0.4	2.2	0.2	0.2
9.5	9.9	9.5	10.1	9.7
1.0	1.0	1.0	0.9	0.8
7.2	7.5	7.7	5.1	6.8
2.2	2.2	2.1	2.2	2.3
0.8	0.8	1.0	-	0.8
-	-	36.4	51.0	35.3
7.6	-	5.8	-	-
1.4	-	-	-	-
<u>42.7</u>	<u>40.3</u>	<u>26.2</u>	<u>6.4</u>	<u>11.5</u>
<u>96.7</u>	<u>91.8</u>	<u>114.6</u>	<u>100.0</u>	<u>90.6</u>
<u>3.3 %</u>	<u>8.2 %</u>	<u>(14.6) %</u>	<u>0.0 %</u>	<u>9.4 %</u>

**Harris County Municipal Utility District No. 202
Board Members, Key Personnel and Consultants
Year Ended December 31, 2023**

Complete District mailing address:	Harris County Municipal Utility District No. 202 c/o Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019
District business telephone number:	713.652.6500
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	September 1, 2020
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-End
Laura Daniels	Elected 05/20- 05/24	\$ 4,610	\$ 242	President
Peggy Williams	Elected 05/22- 05/26	5,360	288	Vice President
Dennis Ramirez	Elected 05/20- 05/24	5,510	313	Secretary
James Peaks	Elected 05/20- 05/24	4,689	240	Assistant Secretary
Richard Arnold	Appointed 01/23- 05/26	3,039	11	Assistant Secretary

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

**Harris County Municipal Utility District No. 202
Board Members, Key Personnel and Consultants (Continued)
Year Ended December 31, 2023**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Kenneth R. Byrd	04/18/83	\$ 15,795	Tax Assessor/ Collector
FORVIS, LLP	12/16/85	23,100	Auditor
Harris Central Appraisal District	Legislative Action	21,806	Appraiser
Hilltop Securities Inc.	10/05/89	18,000	Financial Advisor
M. Marlon Ivy & Associates, Inc.	08/15/83	428,342	Operator
Myrtle Cruz, Inc.	01/17/83	34,652	Bookkeeper
Smith, Murdaugh, Little & Bonham, L.L.P.	08/25/81	138,306	Attorney
Texas Pride Disposal Solutions, LLC	05/28/18	164,058	Waste Collection and Disposal Provider
Vogler and Spencer Engineering, Inc.	10/21/81	113,042	Engineer
Investment Officer			
Terry Holland	07/10/17	N/A	Bookkeeper

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APPENDIX D
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Municipal Advisory Services
Provided By

