

OFFICIAL STATEMENT DATED SEPTEMBER 30, 2024

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

The Bonds are not "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

RATINGS: S&P Global Ratings (INSURED) ... "AA"

See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE"

\$10,615,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503

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

UNLIMITED TAX BONDS, SERIES 2024

Dated Date: Date of Delivery (defined herein)

Due: September 1, as shown below

The \$10,615,000 Unlimited Tax Bonds, Series 2024 (the "Bonds") will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from the Date of Delivery (defined below), and is payable on March 1, 2025, and each September 1 and March 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.



MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Nos. 41431F (c)	Due (September 1)	Principal Amount	Interest Rate (a)	Initial Reoffering Yield (b)	CUSIP Nos. 41431F (c)
2026	\$195,000	6.250%	3.000%	AA7	***	***	***	***	***
2027	205,000	6.250%	3.000%	AB5	2040 (d)	440,000	4.00%	4.050%	AQ2
2028	220,000	6.250%	3.000%	AC3	2041 (d)	465,000	4.00%	4.090%	AR0
2029	230,000	6.250%	3.050%	AD1	2042 (d)	490,000	4.00%	4.100%	AS8
2030	245,000	6.250%	3.100%	AE9	2043 (d)	520,000	4.00%	4.110%	AT6
2031	260,000	6.250%	3.150%	AF6	2044 (d)	550,000	4.00%	4.120%	AU3
2032 (d)	275,000	4.000%	3.300%	AG4	2045 (d)	585,000	4.00%	4.140%	AV1
2033 (d)	290,000	3.250%	3.550%	AH2	2046 (d)	620,000	4.00%	4.160%	AW9
2034 (d)	310,000	3.250%	3.650%	AJ8	2047 (d)	655,000	4.00%	4.170%	AX7
2035 (d)	325,000	3.500%	3.750%	AK5	2048 (d)	695,000	4.00%	4.180%	AY5
2036 (d)	345,000	3.625%	3.850%	AL3	2049 (d)	740,000	4.00%	4.190%	AZ2
2037 (d)	365,000	3.750%	3.950%	AM1	2050 (d)	785,000	4.00%	4.200%	BA6
***	***	***	***	***					

\$805,000 Term Bond due September 1, 2039 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 4.000% ^(b) CUSIP No. 41431F AP4 (c)

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.009472% of par, plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 4.206918%.
- (b) 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.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.
- (d) Bonds maturing on September 1, 2032, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds maturing on and after September 1, 2032, is calculated to the lower of yield to redemption or maturity. In addition, the Initial Purchaser may designate one or more of the Bonds as term bonds. See accompanying "Official Notice of Sale".
- (e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory sinking fund redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption. See "THE BONDS – Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 503 (the "District") and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas (the "State"), Harris County, the City of Houston, Harris County Municipal Utility District No. 500 (the "Master District") or any entity other than the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the District by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 7, 2024 (the "Date of Delivery").

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audits, and 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 Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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 underwriters of the Bonds (“Initial Purchaser” or “Initial Purchaser”) and thereafter only as specified in “OFFICIAL STATEMENT – Updating of Official Statement.”

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

Assured Guaranty Inc. (“AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. Particularly, the reader should refer to indicated sections for more complete information on the discussed topic.

- The District..... Harris County Municipal Utility District No. 503 (the “District” or “MUD 503”), a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (“TCEQ or “Commission”), dated June 26, 2007, is located approximately twenty-four (24) miles northwest of the central business district of Houston, Texas, southwest of the intersection of SH-290 and Barker-Cypress Road. The District is located within the extraterritorial jurisdiction of the City of Houston and lies wholly within Harris County, Texas. The District is located in the Evans Thomas Survey, A-775. The District is accessed via SH-290, exiting Barker-Cypress Road, and traveling south to Cypress North Houston Road, and north on Greenhouse Road. At the time of creation, the District encompassed 656.60 acres of land. By Order dated April 17, 2015, the District excluded a total of 344.62 acres (comprising of 305.30 acres, 18.70 acres, and 20.62 acres, respectively) of land out of the District’s boundaries. By Order dated September 21, 2015, the District excluded a total of 92.03 acres. The current acreage of the District is 219.95 acres of land. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of Texas applicable to municipal utility districts. See “THE DISTRICT.”
- Towne Lake..... The District is one of four municipal utility districts (namely Harris County Municipal Utility Districts Nos. 500, 501, 502 and 503) collectively comprising approximately 2,123.59 acres within the Towne Lake Master-Planned Community referred to herein as the “Service Area”. The District, Harris County Municipal Utility District No. 500 (“MUD 500”) (91.72 total acres), Harris County Municipal Utility District No. 501 (“MUD 501”) (929.17 total acres), and Harris County Municipal Utility District No. 502 (“MUD 502”) (882.75 total acres), (collectively or individually referred to as “Participant(s)”) have executed the Master District Contract (defined herein) with the Master District (defined herein) as Participants and each has obtained the approval of the Master District Contract from its voters at an election held within its boundaries. See “THE SYSTEM – The Master District Contract” and “THE DEVELOPER.”
- The Developer The principal developer of land within Towne Lake is CW SCOA West, L.P. (the “Developer”). See “THE DEVELOPER.”
- Status of Development... To date, MUD 503 has been developed as 379 lots (Sections 64 – 66). As of August 1, 2024, there were 250 occupied homes, 15 unoccupied homes, 56 homes under construction, and 58 vacant, developed lots. MUD 503 has 125.126 developed acres and approximately 82 acres that remain undeveloped. See “THE DISTRICT – Status of Development” and “– Future Development.”
- Water and Wastewater... Harris County Municipal Utility District No. 500 (the “Master District”), as the provider of regional water, sanitary sewer, drainage, park, road and other facilities necessary to serve the Service Area, including the District (hereinafter collectively referred to as the “Master District Facilities”), has contracted with the District to construct and provide service from the Master District Facilities. The Master District owns and operates the Master District Facilities. The District provides internal water distribution, wastewater collection and drainage, park, road and other facilities necessary to serve the District, within its boundaries. See “THE SYSTEM – The Master District Contract,” “– Master District Facilities,” and “RISK FACTORS – Contract Tax.”
- The Bonds..... \$10,615,000 Harris County Municipal Utility District No. 503 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are issued pursuant to a resolution of the District’s Board of Directors (the “Bond Resolution”). The Bonds are being issued as serial bonds maturing annually on September 1 in varying amounts in the years 2026 through 2037 and 2040 through 2050, inclusive (the “Serial Bonds”), and as term bonds maturing on September 1, 2039 (the “Term Bonds”). Bonds maturing on or after September 1, 2032, are subject, at the option of the District, in whole or from time to time in part, to redemption and payment prior to their scheduled maturities on September 1, 2031, and on any date thereafter. The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. See “THE BONDS.”

Not Qualified Tax- Exempt Obligations.....	The Bonds will not be “qualified tax-exempt obligations” within the meaning of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations.”
Source of Payment.....	Principal of and interest on the Bonds are 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. (See “THE BONDS – Source of Payment”). The Bonds are obligations of the District, and are not obligations of the State, Harris County, the City of Houston, Texas, the Master District, or any entity other than the District.
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.”
Authorized but Unissued Bonds.....	The voters of the District authorized the issuance of \$90,285,000 in bonds for the purposes of acquiring or constructing water, wastewater and drainage facilities and the refunding of such bonds. After the issuance of the Bonds, \$79,670,000 of such bonds will remain authorized but unissued. The voters of the District have also authorized the issuance of \$28,990,000 in recreational facility bonds and the refunding of such bonds, and \$56,875,000 in road bonds and the refunding of such bonds, all of which remain authorized but unissued. The voters of the District may, in the future authorize the issuance of additional bonds. See “THE BONDS – Issuance of Additional Debt”.
Authority for Issuance.....	The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, an approving order of the Texas Commission on Environmental Quality (the “TCEQ”), and a bond election held in the District.
Payment Record.....	The Bonds constitute the District’s first issuance of unlimited tax bonds secured by and payable from an unlimited ad valorem tax levied on the taxable property within the District for the purpose of acquiring or constructing water, sewer and drainage facilities. See “SELECTED FINANCIAL INFORMATION (UNAUDITED) – Total Outstanding Bonds”.
Short Term Debt.....	The District issued its \$3,300,000 Bond Anticipation Note, Series 2024A (the "Series 2024A BAN"), \$1,000,000 Bond Anticipation Note, Series 2024B (the "Series 2024B BAN"), \$210,000 Bond Anticipation Note, Series 2024C (the "Series 2024C BAN"), and \$1,000,000 Bond Anticipation Note, Series 2024D (the "Series 2024D BAN"), (the Series 2024A BAN thru Series 2024D BAN are collectively herein referred to as the "BAN") on May 2, 2024, with a maturity date of May 1, 2025. Proceeds from the BAN were used to reimburse the Developer for a portion of the construction costs shown herein under "SOURCES AND USES OF FUNDS".
Municipal Bond Rating and Municipal Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), has assigned a municipal bond rating of “AA” (stable outlook) to this issue of Series 2024 Bonds with the understanding that upon delivery of the Series 2024 Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Series 2024 Bonds will be issued by Assured Guaranty Inc. An explanation of the rating may be obtained from S&P. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
Insurer.....	Assured Guaranty Inc. (“AG”). See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND INSURANCE RISK FACTORS.”
Use of Proceeds.....	Proceeds of the Bonds will be used to reimburse the Developer for contributions for certain capital costs associated with (i) site preparation, water distribution, wastewater collection

and storm water facilities to serve Towne Lake, Section Sixty-Four; (ii) site preparation, water distribution, wastewater collection and storm water facilities to serve Towne Lake, Section Sixty-Five; (iii) water distribution, wastewater collection and storm water facilities to serve Towne Lake, Section Sixty-Six; (iv) site preparation, water distribution, wastewater collection and storm water facilities to serve Towne Lake North Collector Road; (v) a topographic survey; (vi) storm water compliance fees; and (vii) engineering, surveying and geotechnical engineering associated with the referenced projects.

Proceeds of the Bonds will also be used for the BAN, BAN interest and BAN issuance fees, creation costs, capitalized interest, developer interest and issuance costs of the bonds. See "SOURCES AND USES OF FUNDS."

Legal Opinion	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel.
Engineer.....	Edminster, Hinshaw, Russ and Associates, Inc., Houston, Texas.
Financial Advisor	RBC Capital Markets, LLC, Houston, Texas.
Disclosure Counsel.....	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Paying Agent	The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

RISK FACTORS

THE BONDS INVOLVE CERTAIN RISK FACTORS, AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

**SUMMARY OF SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

January 1, 2023 Certified Assessed Valuation	\$32,262,411	(a)
January 1, 2024 Preliminary Taxable Assessed Valuation	\$113,203,957	(b)
July 1, 2024 Estimated Assessed Valuation	\$176,143,568	(c)
 Direct Debt Outstanding (including the Bonds)	 \$10,615,000	
 Ratio of Direct Debt to:		
January 1, 2023 Certified Assessed Valuation	32.90%	
January 1, 2024 Preliminary Taxable Assessed Valuation	9.38%	
July 1, 2024 Estimated Assessed Valuation	6.03%	
 General Fund Balance (as of August 22, 2024)	 \$441,513	
Capital Projects Fund Balance (as of August 22, 2024)	\$982	
Contract Tax Fund Balance (as of August 22, 2024)	\$126,369	(d)
Capitalized Interest from Bond Proceeds to be deposited in the Debt Service Fund	\$ 446,756	(e) (f)
 2023 Tax Rate		
Maintenance & Operations	\$1.15	
Debt Service	0.00	
Contract Tax	0.35	
Total	<u>\$1.50</u>	
 Average Annual Debt Service Requirements (2025 – 2050) including the Bonds (“Average Annual Requirement”).....	 \$688,374	
 Tax rate required to pay Average Annual Requirement based upon		
January 1, 2023 Certified Assessed Valuation at 95% collections.....	\$2.25	
January 1, 2024 Preliminary Taxable Assessed Valuation at 95% collections.....	\$0.64	
July 1, 2024 Estimated Assessed Valuation at 95% collections.....	\$0.41	
 Maximum Annual Debt Service Requirements including the Bonds (2050) including the Bonds (“Maximum Annual Requirement”).....	 \$816,400	
 Tax rate required to pay Maximum Annual Requirement based upon		
January 1, 2023 Certified Assessed Valuation at 95% collections.....	\$2.66	
January 1, 2024 Preliminary Taxable Assessed Valuation at 95% collections.....	\$0.76	
July 1, 2024 Estimated Assessed Valuation at 95% collections.....	\$0.49	
 Status of Development as of August 1, 2024:		
Occupied Completed Homes	250	
Unoccupied Completed Homes	15	
Homes Under Construction	56	
Vacant Lots	58	
Total Completed Lots	<u>379</u>	
 Estimated District Population	 875	(g)

- (a) The January 1, 2023 Certified Taxable Assessed Value includes the current certified portion as provided by Harris Central Appraisal District (“HCAD”). See “TAXING PROCEDURES.”
- (b) Provided by HCAD for informational purposes only. This amount is the preliminary valuation of all taxable property located within the District as of January 1, 2024. No taxes will be levied against this amount. See “TAXING PROCEDURES.”
- (c) Provided by HCAD for informational purposes only. This amount is an estimate of the assessed valuation of all taxable property located within the District as of July 1, 2024, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2023, through July 1, 2024. No taxes will be levied against this amount. See “TAXING PROCEDURES.”
- (d) Funds in the Contract Tax Fund are not available to pay debt service on the Bonds.
- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.
- (f) Represents twelve (12) months of capitalized interest as of the Date of Delivery, which will cover the District’s scheduled debt service payments prior to the collection of ad valorem tax revenues for such purposes.
- (g) Based upon 3.5 residents per occupied single-family residential home.

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OFFICIAL STATEMENT

relating to

\$10,615,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503

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

Unlimited Tax Bonds

Series 2024

INTRODUCTION

The Official Statement provides certain information in connection with the issuance of the Harris County Municipal Utility District No. 503 (the “District”) Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas (the “State”), particularly Chapters 49 and 54, Texas Water Code, as amended, an election held within the District, an order of the TCEQ, and a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District, a political subdivision of the State located within the extraterritorial jurisdiction of the City of Houston, Texas in Harris County, Texas.

The Official Statement includes descriptions of the Bonds, the Bond Resolution, and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State, Harris County, the City of Houston, the Master District or any entity other than the District. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS – Source of Payment.” The investment quality of the Bonds depends 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. See “Registered Owners’ Remedies” and “Tax Collection Limitations” below.

Factors Affecting Taxable Values and Tax Payments

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

Developer’s Obligations to the District: There is no commitment by or legal requirement of the Developer, or any other landowner in the District, to proceed at any particular rate or according to any specified plan with the development of land in the District. Moreover, there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future construction activity in the District. Failure to construct taxable improvements on developed tracts would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “THE DISTRICT – Status of Development” and “THE DEVELOPER.”

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

Maximum Impact on District Tax Rates: 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 District property owners to pay their taxes. The January 1, 2023 Certified Taxable Assessed Valuation of the District is \$32,262,411, the January 1, 2024 Preliminary Taxable Assessed Valuation is \$113,203,957, and the July 1, 2024 Estimated Taxable Assessed Valuation of the District is \$176,143,568 (see “SELECTED FINANCIAL INFORMATION (UNAUDITED)”). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$816,400 (2050), and the Average Annual Debt Service Requirement, on a calendar year basis, will be \$688,374 (2025 through 2050, inclusive). Assuming no increase or decrease from the January 1, 2023 Certified Taxable Assessed Valuation and no use of funds on hand, a debt service tax rate of \$2.66 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a debt service tax rate of \$2.25 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. Assuming no increase or decrease from the January 1, 2024 Preliminary Taxable Assessed Valuation and no use of funds on hand, a debt service tax rate of \$0.76 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a debt service tax rate of \$0.64 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. Assuming no increase or decrease from the July 1, 2024 Estimated Taxable Assessed Valuation and no use of funds on hand, a debt service tax rate of \$0.49 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and a debt service tax rate of \$0.41 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. See “DEBT SERVICE SCHEDULE” and “SELECTED FINANCIAL INFORMATION (UNAUDITED) – Tax Adequacy for Debt Service.” Property within the District also is subject to taxes levied by other political subdivisions. See “SELECTED FINANCIAL INFORMATION (UNAUDITED) – Estimated Overlapping Debt Statement.”

Competitive Nature of Residential Housing Market

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

Contract Tax

The Master District provides certain water, sanitary sewer, drainage, parks, roads and other facilities (collectively, the “Master District Facilities”) necessary to serve the Master District Service Area, including the District, in its capacity as a Participant. By execution of the Contract for Financing, Operation, and Maintenance of Regional Facilities, as amended (the “Master District Contract”), all of the municipal utility districts in Towne Lake that have entered into the Master District Contract (namely, Harris County Municipal Utility District Nos. 500, 501, 502 and 503), are obligated to pay a pro rata share of debt service on the contract revenue bonds issued by the Master District to finance the Master District Facilities (the “Contract Revenue Bonds”) based upon the certified gross assessed valuation of each district. The principal amount of Contract Revenue Bonds outstanding is \$168,410,000. The Master District is authorized to issue Contract Revenue Bonds in the principal amount of \$754,660,000 for water, sewer, and drainage facilities and the refunding of such bonds, in the principal amount of \$64,550,000 for recreational facilities and refunding of such bonds, and in the principal amount of \$350,600,000 for roads and refunding of such bonds. The District is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by the District for such purpose (the “Contract Tax”) or from any other lawful source of District income. See “SELECTED FINANCIAL INFORMATION (UNAUDITED) – Estimated Overlapping Debt Statement” and “SELECTED FINANCIAL INFORMATION (UNAUDITED) – Contract Tax.”

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy court 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. See "TAXING PROCEDURES—District Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that if the District defaults in the payment of the principal or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Resolution, then the registered owners of the Bonds (the "Registered Owner(s)") shall be entitled to seek a writ of mandamus from a court of proper jurisdiction to compel the District to perform its obligations or levy adequate taxes to make principal or interest payments on the Bonds. Such remedy would have to be exercised upon each separate default and may prove costly, time-consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, to protect the interests of the bondholders, and all legal actions to enforce such remedies would have to be taken at the initiative of, and be financed by, the Registered Owners. The Bond Resolution does not provide for acceleration of maturity of the Bonds upon any default; consequently, the remedy of mandamus may have to be relied upon from year to year. Texas courts have held that districts such as the District are immune from suits for money damages under the doctrine of sovereign immunity. Further, if a judgment in such a suit could be obtained, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditor's rights generally. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

A district may not be forced into bankruptcy involuntarily.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the registered owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debt and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court could confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interest of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such registered owner's claim against the District.

Marketability

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary

market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of other bonds issued by more traditional issuers as such bonds are more generally bought, sold, or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Future Debt

After the issuance of the Bonds, the District will have the right to issue the remaining \$79,670,000 authorized but unissued unlimited tax bonds for the purposes of acquiring or constructing water, wastewater and drainage facilities and the refunding of such bonds and the right to issue such additional bonds as may hereafter be approved by both the Board and voters of the District. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The District also has the right to issue bond anticipation notes and revenue bonds without voter approval. The District is also authorized to issue \$28,990,000 in recreational facility bonds including the refunding of such bonds, and \$56,875,000 in road bonds including the refunding of such bonds, all of which remain authorized but unissued. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Issuance of Additional Debt”.

The principal amount of recreational facility bonds sold by the District is limited to one percent (1 %) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District.

According to representatives of the Developer, following the issuance of the Bonds, and with respect to funds advanced by the Developer to date, the Developer will have approximately \$9,300,000 in remaining reimbursements due from the District. If additional development occurs in the District in the future and the Developer advances additional funds, the District has entered into an agreement with the Developer to reimburse such amounts from the proceeds of future bond issues, subject to TCEQ approval of each bond issue, if applicable. The District expects to issue additional unlimited tax bonds for road facilities in the fourth quarter of calendar year 2024.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas 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.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a "serious" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. 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.

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

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

Changes in Tax Legislation

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

100-Year Flood Plain

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

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

If a future weather events 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 in 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.

The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as operations and maintenance expenses payable from ad valorem taxes.

Specific Flood Type Risks

Riverine (or Fluvial) Flood.

Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow 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.

Ponding (or Pluvial) Flood.

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

Tax Payment Installments

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

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

Temporary Tax Exemption for Property Damaged by Disaster

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

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018, and the new and amended City of Houston regulations took effect on September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City of Houston's extraterritorial jurisdiction.

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THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated the Date of Delivery (anticipated to be November 7, 2024), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds is payable March 1, 2025 and each September 1 and March 1 thereafter until maturity or prior redemption (each an "Interest Payment Date"). The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Houston, Texas, (the "Paying Agent/Registrar"). Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed the Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry-only system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State, Harris County, the City of Houston, Texas, the Master District, or any entity other than the District.

Authority for Issuance

The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an Order of the TCEQ, the general laws of the State of Texas, and a bond election held in the District. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of the Bonds. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Funds

In the Bond Resolution, the Debt Service Fund is created and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund. Accrued interest on the Bonds, if any, and 12 months of capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction costs, land acquisition costs, and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund.

Record Date

The record date for the 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 (defined herein).

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption 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 September 1 in the year 2039 (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

Term Bonds Due September 1, 2039	
Mandatory Sinking Fund	
Redemption Date (September 1)	Principal Amount
September 1, 2038	\$390,000
September 1, 2039 (maturity)	\$415,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the 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.

Transfer, Exchange and Registration

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

Replacement of Bonds

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

Short Term Debt

The District issued its \$3,300,000 Bond Anticipation Note, Series 2024A (the "Series 2024A BAN"), \$1,000,000 Bond Anticipation Note, Series 2024B (the "Series 2024B BAN"), \$210,000 Bond Anticipation Note, Series 2024C (the "Series 2024C BAN"), and \$1,000,000 Bond Anticipation Note, Series 2024D (the "Series 2024D BAN"), (the Series 2024A BAN thru Series 2024D BAN are collectively herein referred to as the "BAN") on May 2, 2024, with a maturity date of May 1, 2025. Proceeds from the BAN were used to reimburse the Developer for a portion of the construction costs shown herein under "SOURCES AND USES OF FUNDS".

Issuance of Additional Debt

At a bond election held within the District on May 7, 2016, the voters of the District authorized the issuance of \$90,285,000 in principal amount of unlimited tax bonds for the purpose of constructing and acquiring water, wastewater and drainage facilities and refunding of such bonds. After issuance of the Bonds, \$79,670,000 of unlimited tax bonds will remain authorized but unissued for said improvements and facilities. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. Before the District could issue the bonds, approval of the bonds by the Attorney General of Texas would be required. See "RISK FACTORS – Future Debt."

The District may issue additional bonds necessary to provide improvements and facilities, subject to TCEQ approval. The TCEQ currently does not review and approve bonds issued to fund roads.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District.

The District also is responsible for the capital costs for its share of water, sewer and drainage facilities (the “Regional Water, Sewer and Drainage Facilities”) serving the Master District Service Area. The Master District has issued and is expected to issue additional Contract Revenue Bonds for the purpose of financing the Regional Water, Sewer and Drainage Facilities and for refunding purposes. The District is required to pay for its share of the debt service requirements on the Contract Revenue Bonds issued by the Master District for Regional Water, Sewer and Drainage Facilities through the Contract Tax as described in “THE SYSTEM – The Master District Contract.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election to authorize fire-fighting activities at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

The District is authorized by statute and order of the TCEQ to design, acquire, construct, finance and issue bonds to pay for road facilities. At a bond election held within the District on May 7, 2016, the voters of the District authorized the issuance of \$56,875,000 principal amount of unlimited tax bonds for roads and refunding of such bonds, all of which remain authorized but unissued. The District expects to issue its first series of unlimited tax bonds for road facilities in the fourth quarter of calendar year 2024.

The District is also responsible for its share of the capital costs for arterial, collector, and thoroughfare road facilities serving the Master District Service Area (the “Regional Road Facilities”). The Master District has issued and is expected to issue additional Contract Revenue Bonds to finance the capital costs of designing and constructing the Regional Road Facilities serving the Master District Service Area. The District is required to pay for its share of the debt service requirements on the Contract Revenue Bonds issued by the Master District for Regional Road Facilities through the Contract Tax as described in “THE SYSTEM – The Master District Contract.”

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has developed and adopted a detailed park plan. At a bond election held within the District on May 7, 2016, the voters of the District authorized the issuance of \$28,990,000 principal amount of unlimited tax bonds for parks and recreational facilities and refundings of such bonds, all of which remain authorized but unissued.

Before the District could issue park/recreational bonds payable from taxes, the following actions would be required: (a) approval of the park/recreational projects and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

The principal amount of any bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District’s certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but may not exceed more than three percent (3%) of the value of the taxable property in the District. Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property for such purposes.

The District also is responsible for the capital costs for its share of park/recreational facilities (the “Regional Park Facilities”) serving the Master District Service Area. The Master District has and is expected to issue additional Contract Revenue Bonds to finance the capital costs of designing and constructing the Regional Park Facilities. The District is required to pay for its share of the debt service requirements on the Contract Revenue Bonds issued for Regional Park Facilities through the Contract Tax as described in “THE SYSTEM – The Master District Contract”.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and

liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Annexation

On December 12, 2008, the City of Houston (the “City”), the Towne Lake Management District (the “Management District”) and the District entered into a Strategic Partnership Agreement (the “SPA”). The SPA provides for the annexation into the City of a tract of land in the District (the “Tract”) for limited purposes for the imposition of the City’s Sales and use Tax. The City shall pay to the Management District an amount equal to 50% of the City’s Sales and Use Tax revenues received by the City and generated within the boundaries of the Tract. During the term of the SPA, the City agrees to not annex or attempt to annex the District for full purposes unless: (i) it simultaneously annexes for full purposes the District, MUD 500 and MUD 501; (ii) all of the District’s water supply and distribution, sanitary sewer, drainage, road, and park and recreational facilities have been developed; and (iii) the developer(s) developing water supply and distribution, sanitary sewer, drainage, road, and park and recreational facilities have been reimbursed by the District (and by the Master District for the regional facilities that serve the District) according to TCEQ rules or the City assumes the full obligation for such reimbursement to the developer(s). At such time as the SPA is no longer in effect, the above-described limitations on annexation will no longer apply. The SPA expires on December 12, 2038.

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

Remedies in Event of Default

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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right 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 Resolution.

Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 Resolution 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 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. See “RISK FACTORS – Registered Owners’ Remedies” and “Bankruptcy Limitation to Registered Owners’ Rights.”

Legal Investment and Eligibility to Secure Public Funds in Texas

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

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might 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.

Defeasance

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

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

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

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BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution and summarized under "THE BONDS - Transfer, Exchange and Registration."

Use of Certain Terms in Other Sections of this Official Statement

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Initial Purchaser.

SOURCES AND USES OF FUNDS

Proceeds of the Bonds will be used to reimburse the Developer for contributions for certain capital costs associated with (i) site preparation, water distribution, wastewater collection and storm water facilities to serve Towne Lake, Section Sixty-Four; (ii) site preparation, water distribution, wastewater collection and storm water facilities to serve Towne Lake, Section Sixty-Five; (iii) water distribution, wastewater collection and storm water facilities to serve Towne Lake, Section Sixty-Six; (iv) site preparation, water distribution, wastewater collection and storm water facilities to serve Towne Lake North Collector Road; (v) a topographic survey; (vi) storm water compliance fees; and (vii) engineering, surveying and geotechnical engineering associated with the referenced projects. Proceeds of the bond issue will also be used for the BAN, BAN interest, BAN issuance fees, creation costs, capitalized interest, developer interest, and issuance costs of the bonds.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. In the instance that the actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

CONSTRUCTION COSTS	District's Share
A District Items	
1. Towne Lake, Section 64 – Water, Wastewater and Drainage	\$1,859,696
2. Towne Lake, Section 65 – Water, Wastewater and Drainage	748,917
3. Towne Lake, Section 66 – Water, Wastewater and Drainage	979,296
4. Towne Lake North Collector Road – Water, Wastewater and Drainage	2,388,160
5. Engineering (Item Nos. 1-4)	1,278,733
6. Storm Water Compliance (Item Nos. 1-4)	297,799
7. Topographic Survey	5,000
NET CONSTRUCTION COSTS	\$7,557,601
NON-CONSTRUCTION COSTS	
A Legal Fees	\$252,300
B Fiscal Agent Fees	108,075
C Interests Costs	
1. Capitalized Interest (12 months at 4.206918%)	446,756
2. Developer Interest	930,748
3. Bond Anticipation Note Interest	330,600
D Bond Discount (3%)	317,444
E Bond Issuance Expenses	59,528
F Bond Anticipation Note Issuance Fees	100,765
G Bond Application Report	52,019
H Creation Costs	8,476
I Operating Costs	223,500
J Attorney General Fees	9,500
K TCEQ Bond Issuance Fee	26,538
L Contingency ^(a)	191,149
TOTAL NONCONSTRUCTION	\$3,057,399
TOTAL BOND ISSUE REQUIREMENT	\$10,615,000

(a) Contingency represents the difference in the estimated and actual amount of Capitalized Interest and the Bond Discount.

DEBT SERVICE SCHEDULE

The Bonds

Year End 12/31	Outstanding Debt Service	Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	Total
2025	\$ -	\$ -	\$ 141,473	\$ 223,378	\$ 364,851	\$ 364,851
2026	-	195,000	223,378	223,378	641,756	641,756
2027	-	205,000	217,284	217,284	639,569	639,569
2028	-	220,000	210,878	210,878	641,756	641,756
2029	-	230,000	204,003	204,003	638,006	638,006
2030	-	245,000	196,816	196,816	638,631	638,631
2031	-	260,000	189,159	189,159	638,319	638,319
2032	-	275,000	181,034	181,034	637,069	637,069
2033	-	290,000	175,534	175,534	641,069	641,069
2034	-	310,000	170,822	170,822	651,644	651,644
2035	-	325,000	165,784	165,784	656,569	656,569
2036	-	345,000	160,097	160,097	665,194	665,194
2037	-	365,000	153,844	153,844	672,688	672,688
2038	-	390,000	147,000	147,000	684,000	684,000
2039	-	415,000	139,200	139,200	693,400	693,400
2040	-	440,000	130,900	130,900	701,800	701,800
2041	-	465,000	122,100	122,100	709,200	709,200
2042	-	490,000	112,800	112,800	715,600	715,600
2043	-	520,000	103,000	103,000	726,000	726,000
2044	-	550,000	92,600	92,600	735,200	735,200
2045	-	585,000	81,600	81,600	748,200	748,200
2046	-	620,000	69,900	69,900	759,800	759,800
2047	-	655,000	57,500	57,500	770,000	770,000
2048	-	695,000	44,400	44,400	783,800	783,800
2049	-	740,000	30,500	30,500	801,000	801,000
2050	-	785,000	15,700	15,700	816,400	816,400
	\$ -	\$10,615,000	\$ 3,537,307	\$ 3,619,213	\$ 17,771,520	\$ 17,771,520

Average Annual Debt Service Requirements (2025-2050) \$ 688,374

Maximum Annual Debt Service Requirements (2050) \$ 816,400

THE DISTRICT

General

The District was created by order of the TCEQ, dated June 26, 2007. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State applicable to municipal utility districts.

Location and Acreage

The District is located approximately 24 miles northwest of the central business district of Houston, Texas, south of the intersection of SH-290 and Barker-Cypress Road. The District is located within the extraterritorial jurisdiction (ETJ) of the City of Houston and lies wholly within Harris County, Texas. The District is accessed via SH-290, exiting Barker-Cypress Road, and traveling south to Cypress North Houston Road, and north on Greenhouse Road. The current acreage of the District is 219.95 acres of land.

Authority

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of sanitary sewer; the control and diversion of storm water; the provision of roads and improvements in aid thereof; and the provision of park and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

The District is authorized to issue its bonds to finance its water, wastewater, and drainage facilities, with the approval of the Attorney General of Texas and the TCEQ, to the extent authorized by the District's qualified voters. After the issuance of the Bonds, the District will have \$79,670,000 authorized but unissued in unlimited tax bonds for the purposes of acquiring or constructing water, wastewater and drainage facilities and the refunding of such bonds payable from ad valorem taxes unlimited as to rate or amount. The District is also authorized to issue \$28,990,000 in unlimited tax bonds for park and recreational facilities and the refunding of such bonds and \$56,875,000 for road purposes and the refunding of such bonds, all of which remain authorized but unissued.

Status of Development

The following chart more completely describes the status of residential development within the District as of August 1, 2024.

Subdivision Section	Platted Lots	Completed Homes Occupied	Completed Homes Unoccupied	Homes Under Construction	Vacant Lots
64	195	129	8	36	22
65	98	78	5	10	5
66	86	43	2	10	31
Total	379	250	15	56	58

Homebuilders

The production homebuilders active within the District are Newmark Homes, David Weekley Homes, Coventry Homes, Village Builders and Partners in Building.

Lot Sale Contracts

The Developer has completed three sections in the District and is selling lots in one section. The remaining lots are scheduled to be sold to certain home builders pursuant to the quarterly lot takedown schedules of executed Lot Sales Contracts. The following lists the developed sections within the District and the corresponding builders under contract therein:

Section 64 – Newmark Homes, David Weekley Homes, Coventry Homes, Village Builders

Section 65 – David Weekley Homes, Newmark Homes, Village Builders

Section 66 – Newmark Homes, David Weekley Homes, Ravenna Homes Partners in Building, Village Builders

Lots within all existing sections are sold out except Section 66.

In the event such builders fail to purchase lots in accordance with terms of the Lot Sales Contracts, the Developer's sole remedy is termination of the applicable contract and retention of earnest money.

Future Development

To date, MUD 503 has been developed as 379 lots (Sections 64 – 66). As of August 1, 2024, there were 250 occupied homes, 15 unoccupied homes, 56 homes under construction, and 58 vacant, developed lots. MUD 503 has 125.126 developed acres and approximately 82 acres that remain undeveloped. The District cannot make any representation that any future development will occur within the District. In the event that future development does occur in the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

THE DEVELOPER

Role of a Developer

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

The Developer

CW SCOA West L.P. ("CW SCOA West" or the "Developer") is a Texas limited partnership whose general partner is CW SCOA West, GP, L.L.C. The general partner is controlled by Caldwell Companies, a developer of residential communities in Northwest Houston. The largest limited partnership interest (90%) is held by an American investment subsidiary of the Sumitomo Corporation of Japan. Caldwell Companies has completed over 10,000 lots in its communities including Towne Lake, Bridlecreek, Rock Creek, Spring Creek Ranch, Wimbledon Falls, Wincrest Falls, The Highlands, and Chambers Creek in the Houston area. Caldwell Companies also develops commercial/retail projects. Its latest projects are Towne Lake Boardwalk with 162,200 square feet (in the Service Area) and Cypress Crossing with approximately 30,000 square feet, both located in Harris County.

According to representatives of the Developer, following the issuance of the Bonds, and with respect to funds advanced by the Developer to date, the Developer will have \$9,300,000 in remaining reimbursements due from the District. If future development occurs in the District and the Developer advances additional funds, the District has entered into an agreement with the Developer to reimburse such amounts from the proceeds of future bond issues, subject to TCEQ approval of each bond issue, if applicable.

Development Financing

Development of the 2,400-acre Towne Lake project (a portion of which is located outside the approximate 2,123.59-acre Service Area) is provided through equity contributions of the partners totaling approximately \$39.4 million and a \$5 million revolving line of credit provided by Texas Capital Bank, acting as sole lender. Approximately \$5 million dollars are available to draw on the line of credit. All of the proceeds of the Bonds that are payable to the Developer are pledged in their entirety to the bank lenders. According to the Developer it is in compliance with all material terms of its loan agreement.

THE SYSTEM

The Master District Contract

The District, Harris County Municipal Utility District No. 500 in its capacity as a participant ("MUD 500"), Harris County Municipal Utility District No. 501 ("MUD 501"), and Harris County Municipal Utility District No. 502 ("MUD 502") (collectively or individually referred to as "Participant(s)"), have executed the Master District Contract with the Master District as Participants, and each has obtained the approval of the Master District Contract from its voters at an election held within its boundaries.

The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Contract Revenue Bonds issued by the Master District for the Master District Facilities based upon each Participant's Gross Certified Appraised Valuation, as defined in the Master District Contract, as a percentage of the Gross Certified

Appraised Valuation of all the Participants, calculated annually. Each Participant is obligated to pay its pro rata share of the Contract Revenue Bonds annual debt service payments from the proceeds of an annual ad valorem Contract Tax, without legal limit as to rate or amount, or from any other legally available funds of such Participant. The contract payments shall be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Contract Revenue Bonds, the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Contract Revenue Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its contract payments is the sole responsibility of each Participant.

Pursuant to the Master District Contract, the Master District is authorized to issue Contract Revenue Bonds in the principal amount of \$754,660,000 for water, sewer, and drainage facilities and refunding of such bonds, \$622,415,000 of which remains unissued, in the principal amount of \$64,550,000 for recreational facilities and refunding of such bonds, \$52,870,000 of which remains unissued, and in the principal amount of \$350,600,000 for road facilities and refunding of such bonds, \$302,130,000 of which remains unissued. See "RISK FACTORS – Contract Tax."

The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District owns and operates the Master District Facilities, except for roadways that are accepted by Harris County, Texas, ("County"), for operation and maintenance by the County. Each Participant including the District will own and operate its internal facilities. The internal facilities have been or are expected to be financed with unlimited tax bonds sold by each of the Participants, including the District. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Master District Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide regional water, sanitary sewer and drainage facilities, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand such facilities to provide it with service, and convey such facilities to the Master District in consideration of payment by the Master District of the actual and reasonable necessary capital costs expended by it for such facilities.

Each Participant is further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract. The monthly charges to be paid by each Participant to the Master District will be used to pay its share of operation and maintenance expenses to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses, and, if approved by all Participants, to pay for capital costs of Master District Facilities. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to it on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to each Participant is \$36.00, effective April 1, 2024. Fees charged by the West Harris County Regional Water Authority are passed through separately to the Participants.

Pursuant to the Master District Contract each Participant is obligated to establish and maintain rates, fees and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance expenses, and obligations pursuant to the Master District Contract, including its pro rata share of the Master District's debt service requirements and monthly charges. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid by such Participant without set off, counterclaim, abatement, suspension or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contract.

Master District Facilities

Water Facilities: The Master District is responsible for planning and providing major water facilities to the Participants within its Service Area. The potable water supply facilities constructed by or on behalf of the Master District and being operated by the Master District ("Water Supply Facilities") currently consist of two water plants,

1,600,000 gallons of combined ground storage capacity, 8,425 gallons per minute (“gpm”) of combined booster pump capacity, pressure tank capacity of 30,000 gallons, and all related appurtenances. With proceeds of bonds previously issued by the Master District, the Master District purchased the Water Supply Facilities from the entity that was leasing the facilities to the Master District. The major components of the Master District’s Water Supply Facilities have the combined capacity to serve approximately 6,000 equivalent single-family connections (“ESFCs”). According to the Master District’s Engineer, the Master District has a current reserved capacity of 4,573 ESFCs for the Participants and 3,970 ESFCs are being served by the Water Supply Facilities.

The Master District has completed an expansion to Water Plant No. 1. Following the expansion, Water Plant No. 1 has 1,000,000 gallons of ground storage capacity and 6,475 gpm of booster pump capacity. Water Plant No. 1 has the capacity to serve approximately 5,000 ESFCs.

The Master District has completed Water Plant No. 2. Water Plant No. 2 has 600,000 gallons of ground storage capacity and 1,950 gpm of booster pump capacity. Water Plant No. 2 has the capacity to serve approximately 1,000 ESFCs.

The Master District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”) and receives surface water from the Authority. The Master District then delivers surface water to its Service Area. The Master District previously did not own or operate any groundwater wells, however construction of Water Well No. 1, located at Water Plant No. 1 site is now complete and online. The Master District also has three emergency water interconnects, with Harris County Municipal Utility District No. 172, Remington Municipal Utility District No. 1, and Harris County Municipal Utility District No. 196.

The Authority constructed a 12” water line that provides additional water capacity to Water Plant No. 2.

In order to fully provide water supply to the Service Area, additional Water Supply Facilities will need to be constructed from time to time to meet the water demands of the Service Area. By reserving capacity to the Participants, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active.

In addition, the Master District owns and operates a non-potable water system that includes detention ponds used to supply non-potable water for irrigation.

Wastewater Treatment: The Master District is responsible for planning and providing major wastewater collection and treatment facilities to the participants within its Service Area. The wastewater treatment facilities constructed by or on behalf of the Master District and being operated by the Master District (the “Wastewater Treatment Facilities”) currently consist of one plant (“Wastewater Plant No. 1”) with a total capacity of 750,000 gallons per day (“GPD”). Current wastewater treatment capacity at Wastewater Plant No. 1 will serve 4,076 ESFCs. According to the Master District’s Engineer, the Master District has reserved capacity for 4,076 ESFCs for the Participants and approximately 3,970 ESFCs are being served by the Wastewater Treatment Facilities.

The Master District owns the first phase (160,000 GPD), the second phase (160,000 GPD), and the third phase (430,000, for a total of 750,000 GPD) of the Wastewater Plant No. 1.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the wastewater treatment demands of the Service Area. By reserving capacity to the Participants, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active. The phase four expansion of Wastewater Plant No. 1 is now complete, and the expansion provides additional capacity of 90,000 GPD, enough capacity to serve an additional 489 ESFCs. Wastewater Plant No. 2 is currently nearing the end of the construction phase and is scheduled for completion by September 2024. When operational, Wastewater Plant No. 2 will have a capacity of 0.14 MGD, which will have capacity to serve 466 ESFCs.

Major Water Distribution and Wastewater Collection: Major water distribution facilities consist of waterlines ranging in size from 8-inch to 16-inch. These potable water distribution facilities supply water from the Master Water Supply Facilities to the internal facilities constructed by or on behalf of each Participant. The major wastewater collection facilities include sanitary sewer lines ranging in size from 8-inch to 27-inch. These collection lines collect waste from the internal facilities constructed by or on behalf of each Participant and transport it to the Wastewater Treatment Facilities.

Master Drainage: The Master District also provides the Service Area with drainage facilities, which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines (“Storm-Water Drainage Facilities”). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities.

The Service Area drains to Horsepen Creek and Cypress Creek. The Harris County Flood Control District (“HCFC”) is responsible for maintenance of Horsepen Creek and Cypress Creek.

Conveyance of sheet flow runoff to the storm sewer is supplemented by a system of curb, gutter, and street inlets. The Master District has entered into a Regional Water Treatment and Drainage and Detention Agreement with Harris County Municipal Utility District No. 172 (“MUD 172”) for joint development and maintenance of drainage and detention facilities, whereby the Master District operates certain detention facilities and MUD 172 is responsible for its share of costs attributable to the detention portion of these facilities.

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants. The Participants’ systems tie into the Master District’s systems.

100-Year Flood Plain

According to the Engineer, all improvements or development in the District that lie within the FEMA 100-year flood plain according to Federal Emergency management Agency Flood Insurance Rate map Nos. 48201CO405M and 48201CO415M have been raised above the 500-year flood plain elevation and are in process or scheduled to be removed from the FEMA 100-year flood plain by way of LOMR or LOMR-F. The boundaries of the District currently contain approximately 67 Acres within the 100-year flood plain. When areas within the 100-year flood plain are developed, they are built according to the requirements of local government agencies, including the Harris County Public Infrastructure Department, the Harris County Flood Control District, and the City of Houston Engineering Department, as required. See “RISK FACTORS – 100-Year Flood Plain.”

Atlas 14

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

Subsidence and Surface Water Supply

The Master 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 land within the Service Area. In 2001, the Texas legislature created the West Harris County Regional Water Authority (“Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The Master District’s Service Area, including the District, is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’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 Master District receives surface water from the Authority, and the Master District’s current groundwater well and any future groundwater well(s) that the Master District Constructs would be included within the Authority’s GRP and subject to the groundwater pumpage fees described below.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users to convert from groundwater to surface water. The Authority currently charges the Master District, and other surface water users, a fee per 1,000 gallons based on the amount of surface water received by the Master District from the Authority. The Authority charges groundwater users a fee per 1,000 gallons

based on the amount of groundwater pumped. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds through the year 2035 to finance the Authority'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 Authority 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 Authority'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 Authority'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 Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority 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 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 Master District. If the Master District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the Master District.

The District cannot predict the amount or level of fees and charges, which may be due to the Authority in the future. The Master District anticipates the need to pass such fees through to the participants, including the District, which are expected to then pass such fees through to their own customers through higher water rates and/or with portions of maintenance tax proceeds. No representation is made that the Authority: (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.

Regulation

According to the Master District's Engineer, the Water Supply Facilities, the non-potable water supply facilities, the Wastewater Treatment Facilities, and the Storm-Water Drainage Facilities constructed by the Master District (the "Master District System") have been designed in accordance with accepted engineering practices and applicable 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 and Harris County. According to the Master District's Engineer, the design of the Master District System has been approved by all required governmental agencies and the TCEQ, as applicable.

According to the District's Engineer, the District's internal Water Supply Facilities, Wastewater Facilities, and Storm-Water Drainage Facilities constructed by the District (the "System") have been designed in accordance with accepted engineering practices and applicable 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 and Harris County. According to the Master District's Engineer, the design of the System has been approved by all required governmental agencies and the TCEQ, as applicable.

Operation of the Master District System and the System is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

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DISTRICT BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued To Date</u>	<u>Amount Unissued</u>
05/07/2016	Water, Wastewater and Drainage Facilities and Refunding	\$90,285,000	\$10,615,000 ^(a)	\$79,670,000 ^(a)
05/07/2016	Park and Recreational Facilities and Refunding	28,990,000	0	28,990,000
05/07/2016	Roads and Refunding	56,875,000	0 ^(b)	56,875,000 ^(b)

^(b) Includes the Bonds.

^(c) The District expects to issue its first series of unlimited tax bonds for road facilities in the fourth quarter of calendar year 2024.

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

Certified Taxable Assessed Valuation (January 1, 2023)	\$	32,262,411	^(a)
Preliminary Taxable Assessed Valuation (January 1, 2024)	\$	113,203,957	^(b)
Estimate of Value (July 1, 2024)	\$	176,143,568	^(c)

Direct Debt (Includes the Bonds) \$ 10,615,000

Direct Debt Ratios:

as a percentage of January 1, 2023 Certified Taxable Assessed Valuation	32.90%
as a percentage of January 1, 2024 Preliminary Taxable Assessed Valuation	9.38%
as a percentage of July 1, 2024 Estimate of Assessed Valuation	6.03%

Area of District: 219.95 acres

- ^(a) The January 1, 2023 Certified Taxable Assessed Value includes the current certified portion as provided by HCAD. See "TAXING PROCEDURES."
- ^(b) Provided by HCAD for informational purposes only. This amount is the preliminary assessed valuation of all taxable property located within the District as of January 1, 2024. No taxes will be levied against this amount. See "TAXING PROCEDURES."
- ^(c) Provided by HCAD for informational purposes only. This amount is an estimate of the assessed valuation of all taxable property located within the District as of July 1, 2024, and includes an estimate of valuations resulting from the construction of taxable improvements from January 1, 2023, through July 1, 2024. No taxes will be levied against this amount. See "TAXING PROCEDURES."

Total Outstanding Bonds

<u>Date of Issue</u>	<u>Series</u>	<u>Original Amount</u>	<u>Outstanding</u>
11/07/2024 ^(a)	2024	\$10,615,000	\$10,615,000 ^(a)
		\$10,615,000	\$10,615,000

^(a) Assumes the sale and closing of the Bonds, expected to close on November 7, 2024.

Cash and Investment Balances

General Fund Balance (as of August 22, 2024)	\$441,513
Capital Projects Fund Balance (as of August 22, 2024)	\$982
Contract Tax Fund Balance (as of August 22, 2024)	\$126,369 ^(a)
Capitalized Interest from Bond Proceeds to be deposited in the Debt Service Fund	\$ 446,756 ^{(b)(c)}

^(a) Funds in the Contract Tax Fund are not available to pay debt service on the Bonds.

^(b) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.

^(c) Represents twelve (12) months of capitalized interest as of the Date of Delivery, which will cover the District's scheduled debt service payments prior to the collection of ad valorem tax revenues for such purposes.

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 Body (a)	Direct Debt	As of	Percent Overlapping Direct Debt	Overlapping Direct Debt	Taxable Assessed Valuation
Cypress-Fairbanks ISD	\$ 3,376,585,000	07/31/2024	0.02%	\$ 675,317	\$69,406,304,764
Harris Co.	1,994,511,319	07/31/2024	0.00%	-	652,165,082,567
Harris Co. Dept. of Education	28,960,000	07/31/2024	0.00%	-	649,822,140,910
Harris Co. Flood Control	991,095,000	07/31/2024	0.00%	-	627,812,280,542
Harris Co. Hospital District	65,285,000	07/31/2024	0.00%	-	590,883,076,667
Lone Star College System	512,185,000	07/31/2024	0.00%	-	307,928,358,452
Port of Houston Authority	426,134,397	07/31/2024	0.00%	-	638,796,463,000
Harris Co. MUD No. 500 (b)	168,410,000	07/31/2024	1.30%	2,189,330	2,225,598,205
Total Overlapping Debt:				\$ 2,864,647	
The District: (c)					\$ 10,615,000
Total Overlapping Debt					\$ 2,864,647
Total Direct and Overlapping Debt: (c)					\$ 13,479,647
Total Direct and Overlapping Debt Percent of January 1, 2023 Certified Taxable Assessed Valuation:					41.78%
Total Direct and Overlapping Debt Percent of January 1, 2024 Preliminary Taxable Assessed Valuation:					11.91%
Total Direct and Overlapping Debt Percent of July 1, 2024 Estimate of Taxable Assessed Valuation:					7.65%
Direct and Overlapping Debt per Capita: (d)					\$15,405

(a) Taxing jurisdictions with outstanding debt.

(b) Based on the District’s pro rata share of Master District’s debt service for calendar year 2024. See “THE SYSTEM – The Master District Contract.”

(c) Includes the Bonds.

(d) Based upon 3.5 residents per occupied single-family residential home.

Overlapping Taxes

Overlapping Entity	2023 Tax Rate per \$100 AV
Cypress-Fairbanks ISD	\$1.08110
Harris County	0.35007
Harris County Flood Control	0.03105
Port of Houston Authority	0.00574
Harris County Hospital District	0.14343
Harris County Education Department	0.00480
Lone Star College System	0.10760
Harris County ESD No. 9	0.04436
The District	1.50000
Total	\$3.26815

Classification of Assessed Valuation

The following represents the type of property in the District:

	01-Jul-24 Estimated Assessed Valuation	01-Jan-24 Preliminary Assessed Valuation	01-Jan-23 Certified Assessed Valuation (a)
Land	\$32,075,422	\$35,674,403	\$30,525,951
Improvements	147,070,619	84,937,484	1,789,797
Personal Property	175,632	-	176,572
	<u>\$179,321,673</u>	<u>\$120,611,887</u>	<u>\$32,492,320</u>
Exemptions	(3,178,105)	(7,407,930)	(229,909)
Total	<u>\$176,143,568</u>	<u>\$113,203,957</u>	<u>\$32,262,411</u>

(a) The 2023 Certified Taxable Assessed Value includes the current certified portion as provided by HCAD. See "TAXING PROCEDURES."

Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District's Tax assessor/Collector. Reference is made to such audits and records for further and complete information. See "Classification of Assessed Valuation" above.

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections as of Tax Year End		Collections Through July 31, 2024	
				Amount ^(a)	Percent	Amount	Percent
2019	\$7,082,820	\$1.500	\$106,242	\$137,076	129.02%	\$106,242	100.00%
2020	7,287,758	1.500	109,316	136,652	125.01%	109,316	100.00%
2021	9,274,799	1.500	139,122	179,919	129.32%	139,122	100.00%
2022	9,160,377	1.500	137,406	182,971	133.16%	137,406	100.00%
2023	32,262,411	1.500	483,937	(b)	(b)	478,804	98.94%

(a) Collection percentages over 100% at the end of the tax year are a result of corrections to the certified rolls after the respective tax year. Reimbursements were made to taxpayers who overpaid their property taxes owed after the corrections.

(b) In process of collection.

District Tax Rate

	2023	2022	2021	2020	2019
Debt Service Fund	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Maintenance & Operations	1.150	0.820	0.900	0.800	0.620
Contract Tax ^(a)	0.350	0.680	0.600	0.700	0.880
Total	<u>\$1.500</u>	<u>\$1.500</u>	<u>\$1.500</u>	<u>\$1.500</u>	<u>\$1.500</u>

(a) The Contract Tax is not available to be debt service on the Bonds.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance: \$1.50 per \$100 of Assessed Valuation.

Road Maintenance: \$0.25 per \$100 of Assessed Valuation.

Contract Tax: Unlimited (no legal limit as to rate or amount).

Principal Taxpayers

The following list of top ten principal taxpayers was provided by the Municipal Advisory Council of Texas, which reflects ownership as of January 1 of each year. Ownership changes since January 1, 2023, are not known to the District.

Taxpayer	Property Type	2023
CW Scoa West LP (a)	Developer	\$8,593,108
Newmark Homes Houston LLC	Homebuilder	7,735,763
McGuyer Land Holdings LLC	Homebuilder	4,283,247
CND Resources LLC	LLC	4,101,374
Weekley Homes	Homebuilder	3,244,739
Lennar Homes of Texas	Homebuilder	2,397,487
DFH Coventry LLC	Homebuilder	1,571,067
Homeowner	Individual Residence	275,204
Homeowner	Individual Residence	274,478
Homeowner	Individual Residence	274,478
Total		\$32,750,945
Percent of Taxable Value		101.51%

(a) See "THE DEVELOPER."

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "District Tax Rate" and "Classification of Assessed Valuation" above, and "TAXING PROCEDURES."

Contract Tax

The Master District has the statutory authority and voter authorization of each of the Participants, including the District, to issue Contract Revenue Bonds. Each Participant's pro rata share of the debt service requirements on the Contract Revenue Bonds is determined by dividing each Participant's Gross Certified Appraised Valuation by the total of all the Participants' Gross Certified Appraised Valuations. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of an annual unlimited Contract Tax, or from any other legally available funds of that Participant. The debt service requirement includes principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond documents pursuant to which the Master District's Contract Revenue Bonds are issued.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the bonds issued by the District. An election was held within the District on May 7, 2016, at which the District's voters authorized the levy of a maintenance tax not to exceed \$1.50/\$100 of assessed valuation. At an election held within the District on May 7, 2016, the District's voters also authorized the Board to levy a maintenance tax for operations and maintenance costs of road facilities at a rate not to exceed \$0.25 per \$100 of assessed valuation.

Additional Penalties

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

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2023 Certified Taxable Assessed Valuation, the 2024 Preliminary Taxable Assessed Valuation, and Estimated Taxable Assessed Valuation at July 1, 2024, and utilize tax rates adequate to service the District's total debt service requirements on the Bonds. See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments – Maximum Impact on District Tax Rates."

Average Annual Debt Service Requirements (2025 – 2050) of the Bonds ("Average Annual Requirement")	\$688,374
Tax rate required to pay Average Annual Requirement based upon January 1, 2023 Certified Assessed Valuation at 95% collections	\$2.25
Tax rate required to pay Average Annual Requirement based upon January 1, 2024 Preliminary Taxable Assessed Valuation at 95% collections	\$0.64
Tax rate required to pay Average Annual Requirement based upon July 1, 2024 Estimated Assessed Valuation at 95% collections	\$0.41
Maximum Annual Debt Service Requirements (2050) of the Bonds ("Maximum Annual Requirement")	\$816,400
Tax rate required to pay Maximum Annual Requirement based upon January 1, 2023 Certified Assessed Valuation at 95% collections	\$2.66
Tax rate required to pay Maximum Annual Requirement based upon January 1, 2024 Preliminary Taxable Assessed Valuation at 95% collections	\$0.76
Tax rate required to pay Maximum Annual Requirement based upon July 1, 2024 Estimated Assessed Valuation at 95% collections	\$0.49

OPERATING STATEMENT

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. 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 year ending March 31, 2022 through 2024. Reference is made to such statements for further and more complete information.

	Fiscal Year Ended March 31		
	2024 (a)	2023 (a)	2022 (a)
Revenues			
Property Taxes	\$362,830	\$110,630	\$107,952
Water Service	74,294	8,435	-
Wastewater Service	44,307	1,215	-
Water Authority Fees	106,127	8,931	-
Tap and Inspection Fees	935,083	91,075	-
Investment and Misc. Revenues	18,942	16,668	2
	\$1,541,583	\$236,954	\$107,954
 Expenditures			
Professional Fees	\$147,207	\$89,762	\$66,474
Contracted Services	49,977	10,115	6,015
Purchased Water	142,200	35,550	-
Water Authority Assessments	101,209	8,533	-
Repairs and Maintenance	84,887	11,058	-
Other	536,319	114,592	16,523
Total	\$1,061,799	\$269,610	\$89,012
 Other Financing Sources/Uses			
Transfers In (Out)	-	-	-
Developer Advances	-	-	50,000
	\$0	\$0	\$50,000
 Net Change in			
Fund Balance	\$479,784	(\$32,656)	\$68,942
 Fund Balance			
Beginning of Year	\$48,894	\$81,550	\$12,608
 Fund Balance			
End of Year	\$528,678	\$48,894	\$81,550

(a) From the District's audited annual financial reports.

MANAGEMENT

Board of Directors

The current directors of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jennifer Taylor	President	May 2028
Kevin Gilligan	Vice President	May 2028
Kelli J. Odum	Secretary	May 2026
Ryan Schilhab	Assistant Secretary	May 2026
Danielle Gonzalez	Asst. VP/Secretary	May 2028

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Harris Central Appraisal District. Bob Leared Interests currently serves the District as Tax Assessor/Collector.

Operator of Water and Sewer Facilities

The District's water and sewer system is operated by Inframark, LLC.

Bookkeeper

Myrtle Cruz, Inc. acts as bookkeeper for the District.

Engineer

The consulting engineer for the District is Edminster, Hinshaw, Russ and Associates, Inc.

Bond Counsel/General Counsel

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

Financial Advisor

The District has employed the firm of RBC Capital Markets, LLC as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is employed by the District. 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

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ended March 31, 2024 is included in "APPENDIX A" to this official Statement.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units 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”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$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 the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran’s residence homestead to which the disabled veterans’ exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads 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 was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty (20) percent of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before July 1.

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

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser 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 while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the

District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Reappraisal of Property after Disaster

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

Tax Payment Installments after Disaster

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

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition of 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate

of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. 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, 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 that is a person sixty-five (65) years of age or older, disabled, or a disabled veteran entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District is made by the Board of Directors on an annual basis. The Board of Directors has designated the District as a Developing District for purposes of setting the 2024 tax rate. 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 Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on parity

with tax liens of such other taxing units (see “SELECTED FINANCIAL INFORMATION (UNAUDITED) – Overlapping Taxes”). 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; however, whether a lien of the United States is on parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years for residential homestead or agricultural property and six (6) months for commercial property and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. In addition, a person 65 or older may defer or abate a suit to collect delinquent taxes on the person’s residence homestead. See “RISK FACTORS – General” and “– Tax Collection Limitations.”

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

LEGAL MATTERS

Legal Proceedings

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

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions “CONTINUING DISCLOSURE OF INFORMATION”, “THE DISTRICT”, “TAXING PROCEDURES”, “THE BONDS”, “LEGAL MATTERS – Legal Proceedings” (to the extent such section relates to the opinion of Bond Counsel) and “LEGAL MATTERS – Legal Review,” “TAX MATTERS,” and “REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS” solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of

the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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 the Official Statement.

TAX MATTERS

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

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

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

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing is based on the assumptions that: (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue

Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions

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

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

NOT Qualified Tax-Exempt Obligations

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor. Each consultant has consented to the use of the information provided by such firms.

The Engineer: The information contained in this Official Statement relating to engineering and to the description of the Master District System and the System has been provided by Edminster, Hinshaw, Russ and Associates, Inc. and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District & Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical certified taxable assessed valuations has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including within the boundaries of the District. The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Bob Leared Interests Incorporated and is included herein in reliance upon the authority of same as an expert in assessing property values and collecting taxes.

Auditor: The District's financial statements are audited by McCall Gibson Swedlund Barfoot PLLC, and the District's Audited Financial Statements as of March 31, 2024, have been included as "APPENDIX A."

Certification as to Official Statement

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

they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser" or "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.009472% of the principal amount thereof which resulted in a net effective interest rate of 4.206918% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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 sole responsibility of the Initial Purchaser.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE INITIAL PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING 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 OVER-ALLOT 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.

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

Securities Laws

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. An explanation of the rating may be obtained from S&P.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Inc.

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

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

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AG, AGM and Pro Forma Combined AG

As of June 30, 2024

(dollars in millions)

	AG	AGM	AG
	(Actual)	(Actual)	(Pro Forma Combined)
Policyholders' surplus	\$1,649	\$2,599	\$3,960 ⁽¹⁾
Contingency reserve	\$421	\$910	\$1,331
Net unearned premium reserves and net deferred ceding commission income	\$355	\$2,078 ⁽²⁾	\$2,433 ⁽²⁾

⁽¹⁾ Net of intercompany eliminations.

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

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);
- (i) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024).

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

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

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom,

other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “Bond Insurance”.

MUNICIPAL BOND INSURANCE RISK FACTORS

In the event the bond insurer (the “Bond Insurer”) becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the bondholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe 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”) through the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor to its function as a repository, through its EMMA system.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings “SELECTED FINANCIAL INFORMATION (UNAUDITED),” except for under the subheading “Estimated Overlapping Debt Statement”, and in “APPENDIX A” (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to the MSRB via EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (“Rule”). 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 and if 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 Resolution, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is March 31. Accordingly, it must provide updated information by September 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.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the

following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 503, as of the date shown on the first page hereof.

/s/

Jennifer Taylor
President, Board of Directors
Harris County Municipal Utility District No. 503

/s/

Kelli J. Odum
Secretary, Board of Directors
Harris County Municipal Utility District No. 503

AERIAL PHOTOGRAPH
(August 15, 2024)



DISTRICT PHOTOGRAPHS

(August 15, 2024)



APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 503
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 503 (the "District") as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

Board of Directors
Harris County Municipal Utility District No. 503

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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 27, 2024

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

Management’s discussion and analysis of the financial performance of Harris County Municipal Utility District No. 503 (the “District”) provides an overview of the District’s financial activities for the year ended March 31, 2024. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective, similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes the District’s assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing contractual debt and the cost of assessing and collecting taxes.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$64,961 as of March 31, 2024. A portion of the District’s net position reflects its net investment in capital assets which consists of water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table is a comparative analysis of government-wide changes in the Statement of Net Position as of March 31, 2024, and March 31, 2023:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 902,294	\$ 461,716	\$ 440,578
Capital Assets (Net of Accumulated Depreciation)	<u>7,280,561</u>	<u>5,774,702</u>	<u>1,505,859</u>
Total Assets	<u>\$ 8,182,855</u>	<u>\$ 6,236,418</u>	<u>\$ 1,946,437</u>
Due to Developer	\$ 7,832,738	\$ 6,167,044	\$ (1,665,694)
Other Liabilities	<u>285,156</u>	<u>184,954</u>	<u>(100,202)</u>
Total Liabilities	<u>\$ 8,117,894</u>	<u>\$ 6,351,998</u>	<u>\$ (1,765,896)</u>
Net Position:			
Net Investment in Capital Assets	\$ (201,677)	\$ (41,842)	\$ (159,835)
Restricted	78,972	195,943	(116,971)
Unrestricted	<u>187,666</u>	<u>(269,681)</u>	<u>457,347</u>
Total Net Position	<u>\$ 64,961</u>	<u>\$ (115,580)</u>	<u>\$ 180,541</u>

The following table provides a summary of the District's operations for the years ended March 31, 2024, and March 31, 2023.

	<u>Summary of Changes in the Statement of Activities</u>		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 422,838	\$ 260,771	\$ 162,067
Charges for Services	1,161,381	116,393	1,044,988
Other Revenues	<u>24,398</u>	<u>19,541</u>	<u>4,857</u>
Total Revenues	<u>\$ 1,608,617</u>	<u>\$ 396,705</u>	<u>\$ 1,211,912</u>
Total Expenses	<u>1,428,076</u>	<u>403,822</u>	<u>(1,024,254)</u>
Change in Net Position	\$ 180,541	\$ (7,117)	\$ 187,658
Net Position, Beginning of Year	<u>(115,580)</u>	<u>(108,463)</u>	<u>(7,117)</u>
Net Position, End of Year	<u>\$ 64,961</u>	<u>\$ (115,580)</u>	<u>\$ 180,541</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2024, were \$603,416, an increase of \$391,477 from the prior year.

The General Fund fund balance increased by \$479,784, primarily due to property tax revenues and service revenues exceeding professional, operating, and administrative costs.

The Debt Service Fund fund balance decreased by \$88,307, primarily due to the District's share of the Master District contract debt exceeding current year tax revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget during the fiscal year. Actual revenues were \$593,583 more than budgeted revenues and actual expenditures were \$433,199 more than budgeted expenditures which resulted in a positive variance of \$160,384. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2024, total \$7,280,561 (net of accumulated depreciation) and include the water, wastewater and drainage systems. Current year additions to capital assets included utilities serving Towne Lake Section 66.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Subject to Depreciation:			
Water System	\$ 1,448,998	\$ 1,066,883	\$ 382,115
Wastewater System	1,965,612	1,297,368	668,244
Drainage System	4,067,628	3,452,293	615,335
Less Accumulated Depreciation	(201,677)	(41,842)	(159,835)
Total Net Capital Assets	\$ 7,280,561	\$ 5,774,702	\$ 1,505,859

LONG-TERM DEBT

The District's long-term debt as of March 31, 2024, consists of amounts owed to the Developer for operating advances and utility infrastructure totaling \$7,832,738. A portion of these costs were reimbursed from proceeds of the Series 2024 Bond Anticipation Notes sold subsequent to year end (see Note 12).

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2024**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 503, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 194,197	\$ 54,501
Investments	500,875	123,036
Receivables:		
Property Taxes	9,488	2,888
Penalty and Interest on Delinquent Taxes		
Service Accounts	12,939	
Due from Other Funds	102,794	
Prepaid Costs	3,024	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 823,317	\$ 180,425
LIABILITIES		
Accounts Payable	\$ 179,520	\$ 5
Due to Developer		
Due to Other Governmental Units	24,806	
Due to Other Funds		102,794
Security Deposits	80,825	
TOTAL LIABILITIES	\$ 285,151	\$ 102,799
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 9,488	\$ 2,888
FUND BALANCES/NET POSITION		
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 3,024	\$
Restricted for Master District Contract Debt		74,738
Unassigned	525,654	
TOTAL FUND BALANCES	\$ 528,678	\$ 74,738
TOTAL LIABILITIES AND FUND BALANCES	\$ 823,317	\$ 180,425
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 248,698	\$	\$ 248,698
623,911		623,911
12,376		12,376
	1,346	1,346
12,939		12,939
102,794	(102,794)	
3,024		3,024
	<u>7,280,561</u>	<u>7,280,561</u>
<u>\$ 1,003,742</u>	<u>\$ 7,179,113</u>	<u>\$ 8,182,855</u>
\$ 179,525	\$	\$ 179,525
	7,832,738	7,832,738
24,806		24,806
102,794	(102,794)	
80,825		80,825
	<u>7,729,944</u>	<u>8,117,894</u>
<u>\$ 387,950</u>	<u>\$ 7,729,944</u>	<u>\$ 8,117,894</u>
\$ 12,376	\$ (12,376)	\$ - 0 -
\$ 3,024	\$ (3,024)	\$
74,738	(74,738)	
525,654	(525,654)	
	<u>(603,416)</u>	<u>- 0 -</u>
<u>\$ 603,416</u>	<u>\$ (603,416)</u>	<u>\$ - 0 -</u>
<u>\$ 1,003,742</u>		
	\$ (201,677)	\$ (201,677)
	78,972	78,972
	<u>187,666</u>	<u>187,666</u>
	<u>\$ 64,961</u>	<u>\$ 64,961</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2024**

Total Fund Balances - Governmental Funds	\$	603,416
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are not current financial resources and, therefore, are not reported as assets in governmental funds.		7,280,561
--	--	-----------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 tax levy became part of recognized revenue in the governmental activities of the District.		13,722
--	--	--------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year end consist of:

Due to Developer	\$ (7,832,738)	<u>(7,832,738)</u>
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Total Net Position - Governmental Activities	\$	<u>64,961</u>
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The accompanying notes to the financial statements are an integral part of this report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 362,830	\$ 111,109
Water Service	74,294	
Wastewater Service	44,307	
Water Authority Fees	106,127	
Penalty and Interest		1,570
Tap Connection and Inspection Fees	935,083	
Investment and Miscellaneous Revenues	18,942	5,456
TOTAL REVENUES	\$ 1,541,583	\$ 118,135
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 147,207	\$
Contracted Services	49,977	10,422
Purchased Water and Wastewater Service	142,200	
Water Authority Assessments	101,209	
Repairs and Maintenance	84,887	
Depreciation		
Other	536,319	84,692
Debt Service:		
Contractual Obligation		111,328
TOTAL EXPENDITURES/EXPENSES	\$ 1,061,799	\$ 206,442
NET CHANGE IN FUND BALANCES	\$ 479,784	\$ (88,307)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
APRIL 1, 2023	48,894	163,045
FUND BALANCES/NET POSITION -		
MARCH 31, 2024	\$ 528,678	\$ 74,738

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 473,939	\$ (51,101)	\$ 422,838
74,294		74,294
44,307		44,307
106,127		106,127
1,570		1,570
935,083		935,083
24,398		24,398
<u>\$ 1,659,718</u>	<u>\$ (51,101)</u>	<u>\$ 1,608,617</u>
\$ 147,207	\$	\$ 147,207
60,399		60,399
142,200		142,200
101,209		101,209
84,887		84,887
	159,835	159,835
621,011		621,011
<u>111,328</u>	<u></u>	<u>111,328</u>
<u>\$ 1,268,241</u>	<u>\$ 159,835</u>	<u>\$ 1,428,076</u>
\$ 391,477	\$ (391,477)	\$
	180,541	180,541
<u>211,939</u>	<u>(327,519)</u>	<u>(115,580)</u>
<u>\$ 603,416</u>	<u>\$ (538,455)</u>	<u>\$ 64,961</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2024**

Net Change in Fund Balances - Governmental Funds	\$	391,477
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues and penalty and interest revenues on delinquent taxes when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied and the penalty and interest is assessed.		(51,101)
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		<u>(159,835)</u>
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Change in Net Position - Governmental Activities	\$	<u>180,541</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 503 (the “District”) was created effective June 26, 2007, by an Order of the Texas Commission on Environmental Quality, (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, drainage, solid waste collection and disposal, including recycling, and to construct parks, recreational facilities and roads for the residents of the District. The District is located within the extraterritorial jurisdiction of the City of Houston, Texas. The Board of Directors held its organizational meeting on October 28, 2008.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District and other districts have contracted with Harris County Municipal Utility District No. 500 in its capacity as Master District (the “Master District”) for the financing, operation, and maintenance of regional water, sanitary sewer, drainage, road, and recreational facilities. These facilities are under the oversight of the Master District’s Board of Directors and financial activity of the Master District has been included in the financial statements of the District as a note disclosure (see Note 8). Copies of the financial statements for the Master District may be obtained from Harris County Municipal Utility District No. 500, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing contractual debt and the cost of assessing and collecting taxes.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. At year end, the Debt Service Fund owed the General Fund \$102,794 for maintenance tax collections.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets reported in the government-wide Statement of Net Position. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances, resolutions, or motions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 3. LONG-TERM DEBT

As of March 31, 2024, the District had authorized but unissued bonds in the amount of \$90,285,000 for water, sewer and drainage facilities, \$56,875,000 for roads and \$28,990,000 for recreational facilities. As bonds are issued, they will be repaid from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended March 31, 2024, the District did not levy an ad valorem debt service tax.

Unreimbursed Costs

The District has entered into financing agreements with the Developer. The agreements call for the Developer to fund operating advances as well as construction costs associated with water, sewer, drainage, park and road facilities. Reimbursement of these costs will come from future bond proceeds or other lawfully available monies. Due to Developer activity for the current fiscal year is as follows:

Due to Developer, April 1, 2023	\$	6,167,044
Add: Current Year Additions		<u>1,665,694</u>
Due to Developer, March 31, 2024	\$	<u><u>7,832,738</u></u>

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$248,698 and the bank balance was \$316,964. The District was not exposed to custodial credit risk at year end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2024, as listed below:

	Cash
GENERAL FUND	\$ 194,197
DEBT SERVICE FUND	54,501
TOTAL DEPOSITS	\$ 248,698

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. 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 SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2024, the District had the following investment and maturity:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 500,875	\$ 500,875
<u>DEBT SERVICE FUND</u>		
TexPool	123,036	123,036
TOTAL INVESTMENTS	\$ 623,911	\$ 623,911

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one-year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of contractual debt and the cost of assessing and collecting taxes.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 5. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	April 1, 2023	Increases	Decreases	March 31, 2024
Capital Assets Subject to Depreciation				
Water System	\$ 1,066,883	\$ 382,115	\$	\$ 1,448,998
Wastewater System	1,297,368	668,244		1,965,612
Drainage System	<u>3,452,293</u>	<u>615,335</u>		<u>4,067,628</u>
Total Capital Assets Subject to Depreciation	<u>\$ 5,816,544</u>	<u>\$ 1,665,694</u>	<u>\$ - 0 -</u>	<u>\$ 7,482,238</u>
Less Accumulated Depreciation				
Water System	\$ 7,427	\$ 30,563	\$	\$ 37,990
Wastewater System	7,977	40,590		48,567
Drainage System	<u>26,438</u>	<u>88,682</u>		<u>115,120</u>
Total Accumulated Depreciation	<u>\$ 41,842</u>	<u>\$ 159,835</u>	<u>\$ - 0 -</u>	<u>\$ 201,677</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 5,774,702</u></u>	<u><u>\$ 1,505,859</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 7,280,561</u></u>

NOTE 6. MAINTENANCE TAX

On May 7, 2016, District voters approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay operations and maintenance costs of the District. During the year ended March 31, 2024, the District levied an ad valorem maintenance tax rate of \$1.15 per \$100 of assessed valuation, which resulted in a tax levy of \$371,018 on the adjusted taxable valuation of \$32,262,411 for the 2023 tax year.

On May 7, 2016, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District for purposes of constructing and maintaining roads within the District.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 7. CONTRACT TAX

The voters in the District have approved the levy and collection of an annual contract tax imposed on all taxable property within the boundaries of the District in an unlimited amount per \$100 of assessed valuation for purposes of making payments to the Master District for the debt service requirements of the Master District's water, sewer, drainage, road, and park contract revenue bonds, and for monthly charges associated with the services from the Master District's water, sewer, drainage, road, and park facilities (see Note 8). During the current year, the District levied an ad valorem contract tax rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$112,919 on the adjusted taxable valuation of \$32,262,411 for the 2023 tax year. The District made contractual payments of \$111,328 during the current fiscal year.

NOTE 8. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES

Harris County Municipal Utility District No. 500 as Master District (the "Master District") executed a 40-year contract with the District on August 3, 2016, for the financing, operation and maintenance of the Master District's regional water, wastewater and drainage facilities as well as park and road facilities. The first, second and third amendments were executed on August 3, 2016, and the fourth amendment was executed on May 6, 2020. The Master District administers the contract for the Participants which include the District, Harris County Municipal Utility District No. 500 (as Internal District), Harris County Municipal Utility District No. 501, and Harris County Municipal Utility District No. 502 (collectively, the "Participants").

Each Participant has contracted with the Master District to provide, receive, and transport its water supply, sanitary waste, and storm waters through the Master District facilities. The Master District has also assumed the responsibility of providing regional parks and major roadways. The Master District owns and operates the Master District facilities, except to the extent roadways and storm sewers are accepted for maintenance by Harris County or other governmental entities.

The Master District finances the Master District facilities through the issuance of Master District contract revenue bonds. The Master District has the authority to issue water, wastewater and drainage bonds not to exceed \$754,660,000, road bonds not to exceed \$350,600,000, and park bonds not to exceed \$64,550,000. Each Participant is responsible for its pro rata share of the debt service requirements on the Master District contract revenue bonds. As of March 31, 2024, the Master District has authorized but unissued water, wastewater and drainage bonds of \$622,415,000, road bonds of \$302,130,000, and park bonds of \$52,870,000.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 8. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES (Continued)

As of March 31, 2024, the debt service requirements on the Master District contract revenue bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,000,000	\$ 5,599,788	\$ 10,599,788
2026	5,220,000	5,581,162	10,801,162
2027	5,405,000	5,395,629	10,800,629
2028	5,590,000	5,198,504	10,788,504
2029	5,780,000	5,004,674	10,784,674
2030-2034	32,090,000	22,097,480	54,187,480
2035-2039	38,620,000	16,251,809	54,871,809
2040-2044	46,575,000	8,800,161	55,375,161
2045-2049	24,130,000	1,729,854	25,859,854
	<u>\$ 168,410,000</u>	<u>\$ 75,659,061</u>	<u>\$ 244,069,061</u>

The Master District prepares an operating budget annually. The budget is based on annual estimates provided by each Participant to the Master District for waste discharge, water usage and connections. As of March 31, 2024, the Master District had enough funds on hand to meet its three-month reserve requirement.

Each Participant's monthly bill is determined by multiplying the total number of equivalent single-family residential connections (ESFC) reserved for the Participant on the first day of the previous month by the unit cost per ESFC shown in the budget for each Participant. The rate in effect at fiscal year end was \$30 per ESFC and subsequent to year end increased to \$36. The Master District separates the Authority fees from the monthly per connection charges and bills such Authority fees to each Participant monthly based upon that Participant's actual water usage plus an additional 5% for flushing and other non-metered water usage. As of the fiscal year end the rate charged to each participant for the Authority surface water fees was \$4.56 (\$4.35 plus 5%) per 1,000 gallons of water.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 8. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL FACILITIES (Continued)

A summary of Master District financial activity for the current fiscal year is as follows:

	Master District Enterprise Fund
Total Assets	\$ 149,858,004
Total Deferred Outflows of Resources	1,181,299
Total Liabilities	<u>(174,305,963)</u>
Total Net Position	<u>\$ (23,266,660)</u>
Total Operating Revenues	\$ 4,157,082
Total Operating Expenses	<u>(8,363,793)</u>
Operating Income (Loss)	<u>\$ (4,206,711)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 868,223</u>
Change in Net Position	\$ (3,338,488)
Net Position – April 1, 2023, As Adjusted	<u>(19,928,172)</u>
Net Position – March 31, 2024	<u>\$ (23,266,660)</u>

NOTE 9. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act, as amended, empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. As of fiscal year end, the fees per 1,000 gallons of surface water and groundwater delivered from the Authority were \$4.35 and \$3.95, respectively. Surface water and groundwater costs are included in the amounts paid to the Master District for purchased water services.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

On December 12, 2008, the City of Houston (the City), the Towne Lake Management District (the “MMD”) and the District entered into a Strategic Partnership Agreement (Agreement). The Agreement provides for the annexation into the City of a tract of land in the District for limited purposes for the imposition of the City’s Sales and Use Tax. The City shall pay to the MMD an amount equal to 50% of the City’s Sales and Use Tax revenues received by the City and generated within the boundaries of the tract. The District agrees to pay to the City an annual fee of \$100 for the provision of municipal services provided in lieu of full purpose annexation. The City agrees to not annex or attempt to annex the District for full purposes unless it simultaneously annexes for full purposes Harris County Municipal Utility District Nos. 500, 501 and 503. The term of this agreement is 30 years from the effective date.

NOTE 12. SUBSEQUENT EVENT – SALE OF BOND ANTICIPATION NOTES

Subsequent to fiscal year end, the District sold Bond Anticipation Note Series 2024A, Series 2024B, Series 2024C, and Series 2024D (collectively “BANs”) totaling \$5,510,000. The BANs accrue interest at 5.75% and are due within one year. Proceeds of the BANs were used to: reimburse the Developer for construction and engineering costs associated with water, sewer and drainage facilities serving Towne Lake, Sections 64, 65, and 66 as well as Towne Lake North Collector Road; pay for bond issuance costs; and reimburse the Developer for operating advances. The District intends to retire the BANs using proceeds from the issuance of bonds.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 374,000	\$ 362,830	\$ (11,170)
Water Service	48,000	74,294	26,294
Wastewater Service	48,000	44,307	(3,693)
Water Authority Fees	86,000	106,127	20,127
Tap Connection and Inspection Fees	390,300	935,083	544,783
Investment and Miscellaneous Revenues	1,700	18,942	17,242
TOTAL REVENUES	\$ 948,000	\$ 1,541,583	\$ 593,583
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 97,400	\$ 147,207	\$ (49,807)
Contracted Services	37,000	49,977	(12,977)
Purchased Water and Wastewater Service	142,200	142,200	
Water Authority Assessments	82,000	101,209	(19,209)
Repairs and Maintenance	50,000	84,887	(34,887)
Other	220,000	536,319	(316,319)
TOTAL EXPENDITURES	\$ 628,600	\$ 1,061,799	\$ (433,199)
NET CHANGE IN FUND BALANCE	\$ 319,400	\$ 479,784	\$ 160,384
FUND BALANCE - APRIL 1, 2023	48,894	48,894	
FUND BALANCE - MARCH 31, 2024	\$ 368,294	\$ 528,678	\$ 160,384

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The following rates are based on the rate order approved January 25, 2024.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 22.00	7,000	N	\$ 2.25	7,001 to 15,000
				\$ 2.50	15,001 to 25,000
				\$ 3.00	25,001 and up
WASTEWATER:	\$35.00 ⁽¹⁾		Y		
SURCHARGE:					
Commission					
Regulatory Assessments		Included in the rates above			
Water Authority Fees		110% of the surface water fee charged by the WHCRWA			

District employs winter averaging for wastewater usage?
 X
 Yes No

Total monthly charges per 10,000 gallons usage: Water: \$28.75 Wastewater: \$35.00 Surcharge: \$47.90

(1) Includes the cost of trash pickup.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	200	200	x 1.0	200
1"	92	92	x 2.5	230
1½"			x 5.0	
2"	4	4	x 8.0	32
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>296</u>	<u>296</u>		<u>462</u>
Total Wastewater Connections	<u>290</u>	<u>290</u>	x 1.0	<u>290</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers: 22,195,000

Gallons Purchased: *

* The District, along with Harris County Municipal Utility District No. 500 (Internal District), Harris County Municipal Utility District No. 501, and Harris County Municipal Utility District No. 502, receive water from the Harris County Municipal Utility District No. 500 Master District. The Master District purchases water from the West Harris County Regional Water Authority and, from time to time, Remington Municipal Utility District No. 1, Harris County Municipal Utility District No. 196, and Harris County Municipal Utility District No. 172 via emergency interconnects. Gallons purchased is calculated using gallons billed to District customers divided by total gallons billed to all participants times the total gallons purchased by the Master District.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2024

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2024

PROFESSIONAL FEES:	
Auditing	\$ 10,000
Engineering	97,557
Legal	<u>39,650</u>
TOTAL PROFESSIONAL FEES	<u>\$ 147,207</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water and Wastewater Service	\$ 142,200
Water Authority Assessments	<u>101,209</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 243,409</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 10,225
Operations and Billing	20,165
Solid Waste Disposal	<u>19,587</u>
TOTAL CONTRACTED SERVICES	<u>\$ 49,977</u>
REPAIRS AND MAINTENANCE	<u>\$ 84,887</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,927
Office Supplies and Postage	1,531
Travel and Other	<u>2,181</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 10,639</u>
TAP CONNECTIONS	<u>\$ 398,412</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 165
Refund of Prior Year Tax Collections	88,618
Inspection and Connection Fees	37,950
Regulatory Assessment	<u>535</u>
TOTAL OTHER EXPENDITURES	<u>\$ 127,268</u>
TOTAL EXPENDITURES	<u>\$ 1,061,799</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
INVESTMENTS
MARCH 31, 2024

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 500,875	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 123,036	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 623,911</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2024

	Maintenance Taxes		Contract Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2023	\$ 31,925		\$ 26,474	
Adjustments to Beginning				
Balance	<u>(30,625)</u>	\$ 1,300	<u>(25,396)</u>	\$ 1,078
Original 2023 Tax Levy	\$ 199,590		\$ 60,745	
Adjustments to 2023 Tax Levy	<u>171,428</u>	<u>371,018</u>	<u>52,174</u>	<u>112,919</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 372,318		\$ 113,997
TAX COLLECTIONS:				
Prior Years	\$ 1,300		\$ 1,078	
Current Year	<u>361,530</u>	<u>362,830</u>	<u>110,031</u>	<u>111,109</u>
TAXES RECEIVABLE -				
MARCH 31, 2024		<u>\$ 9,488</u>		<u>\$ 2,888</u>
TAXES RECEIVABLE BY				
YEAR:				
2023		<u>\$ 9,488</u>		<u>\$ 2,888</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2024

	2023	2022	2021
PROPERTY VALUATIONS:			
Land	\$ 30,525,951	\$ 17,542,505	\$ 12,139,411
Improvements	1,789,797	410	
Personal Property	176,572	870	790
Exemptions	(229,909)	(158,786)	(145,580)
TOTAL PROPERTY VALUATIONS	\$ 32,262,411	\$ 17,384,999	\$ 11,994,621
TAX RATES PER \$100 VALUATION:			
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00
Contract	0.35	0.68	0.60
Maintenance	1.15	0.82	0.90
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.50	\$ 1.50	\$ 1.50
ADJUSTED TAX LEVY*	\$ 483,937	\$ 260,775	\$ 179,919
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED**	97.44 %	100.00 %	100.00 %

* Based upon adjusted tax at time of audit for the fiscal year in which the tax was levied. As of the current fiscal year end, the 2022 and 2021 valuations were \$9,160,377 and \$9,274,799, respectively.

** As of March 31, 2024

On May 7, 2016, District voters approved an operations maintenance tax rate not to exceed \$1.50 per \$100 of assessed valuation.

On May 7, 2016, District voters approved a road maintenance tax rate not to exceed \$0.25 per \$100 of assessed valuation.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 362,830	\$ 110,630	\$ 107,952
Water Service	74,294	8,435	
Wastewater Service	44,307	1,215	
Water Authority Fees	106,127	8,931	
Tap Connection and Inspection Fees	935,083	91,075	
Investment and Miscellaneous Revenues	18,942	16,668	2
TOTAL REVENUES	<u>\$ 1,541,583</u>	<u>\$ 236,954</u>	<u>\$ 107,954</u>
EXPENDITURES			
Professional Fees	\$ 147,207	\$ 89,762	\$ 66,474
Contracted Services	49,977	10,115	6,015
Purchased Water and Wastewater Services	142,200	35,550	
Water Authority Assessments	101,209	8,533	
Repairs and Maintenance	84,887	11,058	
Other	536,319	114,592	16,523
TOTAL EXPENDITURES	<u>\$ 1,061,799</u>	<u>\$ 269,610</u>	<u>\$ 89,012</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 479,784</u>	<u>\$ (32,656)</u>	<u>\$ 18,942</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 50,000</u>
NET CHANGE IN FUND BALANCE	\$ 479,784	\$ (32,656)	\$ 68,942
BEGINNING FUND BALANCE	<u>48,894</u>	<u>81,550</u>	<u>12,608</u>
ENDING FUND BALANCE	<u>\$ 528,678</u>	<u>\$ 48,894</u>	<u>\$ 81,550</u>

See accompanying independent auditor's report.

Percentage of Total Revenues		
2024	2023	2022
23.5 %	46.7 %	100.0 %
4.8	3.6	
2.9	0.5	
6.9	3.8	
60.7	38.4	
<u>1.2</u>	<u>7.0</u>	
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
9.5 %	37.9 %	61.6 %
3.2	4.3	5.6
9.2	15.0	
6.6	3.6	
5.5	4.7	
<u>34.8</u>	<u>48.4</u>	<u>15.3</u>
<u>68.8 %</u>	<u>113.9 %</u>	<u>82.5 %</u>
<u>31.2 %</u>	<u>(13.9) %</u>	<u>17.5 %</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - THREE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Contract Taxes	\$ 111,109	\$ 91,742	\$ 71,967
Penalty and Interest	1,570	313	
Investment and Miscellaneous Revenues	<u>5,456</u>	<u>2,873</u>	<u>465</u>
TOTAL REVENUES	<u>\$ 118,135</u>	<u>\$ 94,928</u>	<u>\$ 72,432</u>
EXPENDITURES			
Other Expenditures	\$ 95,114	\$ 14,591	\$ 14,296
Contractual Obligation	<u>111,328</u>	<u>77,779</u>	<u>62,113</u>
TOTAL EXPENDITURES	<u>\$ 206,442</u>	<u>\$ 92,370</u>	<u>\$ 76,409</u>
NET CHANGE IN FUND BALANCE	\$ (88,307)	\$ 2,558	\$ (3,977)
BEGINNING FUND BALANCE	<u>163,045</u>	<u>160,487</u>	<u>164,464</u>
ENDING FUND BALANCE	<u>\$ 74,738</u>	<u>\$ 163,045</u>	<u>\$ 160,487</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>296</u>	<u>59</u>	<u>-0-</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>290</u>	<u>57</u>	<u>-0-</u>

See accompanying independent auditor's report.

Percentage of Total Revenues		
<u>2024</u>	<u>2023</u>	<u>2022</u>
94.1 %	96.7 %	99.4 %
1.3	0.3	
<u>4.6</u>	<u>3.0</u>	<u>0.6</u>
<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %
80.5 %	15.4 %	19.7 %
<u>94.2</u>	<u>81.9</u>	<u>85.8</u>
<u>174.7</u> %	<u>97.3</u> %	<u>105.5</u> %
<u>(74.7)</u> %	<u>2.7</u> %	<u>(5.5)</u> %

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2024

District Mailing Address - Harris County Municipal Utility District No. 503
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended March 31, 2024	Expense Reimbursements for the year ended March 31, 2024	Title
Patrick Carrigan	05/22 - 05/26 (Elected)	\$ 1,405	\$ 338	President
Kevin Gilligan	02/22 - 05/24 (Appointed)	\$ 2,068	\$ 810	Vice President
Kelli Odum	05/20 - 05/24 (Elected)	\$ 813	\$ 26	Assistant Vice President/ Assistant Secretary
Jennifer Taylor	05/20 - 05/24 (Elected)	\$ 1,476	\$ 74	Secretary
Sean Mulroony	05/22 - 05/26 (Elected)	\$ 963	\$ 102	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants. The District's auditor leases office space from an entity affiliated with the District's Developer.

The submission date of the most recent District Registration Form: May 30, 2024.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on October 28, 2008. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 503
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	10/28/08	\$ 39,650	General Counsel
McCall Gibson Swedlund Barfoot PLLC	03/21/22	\$ 10,000	Auditor
Myrtle Cruz, Inc.	07/15/22	\$ 11,072	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	10/07/16	\$ -0-	Delinquent Tax Attorney
Edminster, Hinshaw, Russ and Associates, Inc.	11/14/08	\$ 97,557	Engineer
RBC Capital Markets	11/14/08	\$ -0-	Financial Advisor
Mary Jarmon	07/15/22	\$ -0-	Investment Officer
Environmental Development Partners	12/10/20	\$ 550,586	Operator
BLICO, Inc.	11/14/08	\$ 13,953	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)