

**OFFICIAL STATEMENT DATED OCTOBER 10, 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 BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.*

THE BONDS HAVE **NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS - Not Qualified Tax-Exempt Obligations."

**NEW ISSUE - Book-Entry-Only**

**\$10,885,000**  
**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
*(A political subdivision of the State of Texas located within Harris County)*  
**UNLIMITED TAX BONDS, SERIES 2024**

**Dated: November 1, 2024**

**Due: November 15, as shown below**

The bonds described above (the "Bonds") are obligations solely of Tomball Business Improvement District No. 1 (the "District") and are not obligations of the State of Texas, Harris County, the City of Tomball, the TIRZ (herein defined), or any entity other than the District.

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Houston, Texas. Interest on the Bonds will accrue from November 1, 2024, and be payable on May 15, 2025, and on each November 15 and May 15 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

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 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."

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

Due	Principal	Interest	Initial Reoffering	CUSIP	Due	Principal	Interest	Initial Reoffering	CUSIP
<u>November 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield (a)</u>	<u>88984N (b)</u>	<u>November 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield (a)</u>	<u>88984N (b)</u>
2025	\$ 210,000	6.500%	4.000%	AA2	2029	\$ 280,000	6.000%	4.000%	AE4
2026	240,000	6.500%	4.000%	AB0	2030	290,000	6.500%	4.000%	AF1
2027	250,000	6.500%	4.000%	AC8	2031	305,000 (c)	4.000%	4.000%	AG9
2028	265,000	6.500%	4.000%	AD6	2032	320,000 (c)	4.000%	4.000%	AH7

\$1,070,000 Term Bonds due November 15, 2035 (c), 88984N AL8 (b), 4.000% Interest Rate, 4.100% Yield (a)

\$1,230,000 Term Bonds due November 15, 2038 (c), 88984N AP9 (b), 4.000% Interest Rate, 4.200% Yield (a)

\$1,425,000 Term Bonds due November 15, 2041 (c), 88984N AS3 (b), 4.000% Interest Rate, 4.250% Yield (a)

\$1,075,000 Term Bonds due November 15, 2043 (c), 88984N AU8 (b), 4.000% Interest Rate, 4.300% Yield (a)

\$1,185,000 Term Bonds due November 15, 2045 (c), 88984N AW4 (b), 4.125% Interest Rate, 4.350% Yield (a)

\$1,305,000 Term Bonds due November 15, 2047 (c), 88984N AY0 (b), 4.125% Interest Rate, 4.400% Yield (a)

\$1,435,000 Term Bonds due November 15, 2049 (c), 88984N BA1 (b), 4.125% Interest Rate, 4.450% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from November 1, 2024, is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Bonds maturing on and after November 15, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on November 15, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS-Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied 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, Harris County, the City of Tomball, the TIRZ, or any entity other than the District. The Bonds are subject to special risk factors described herein. See "RISK FACTORS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 14, 2024.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in 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, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

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.

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

## OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

### THE FINANCING

- The Issuer* ..... Tomball Business Improvement District No. 1 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas and within the corporate limits of the City of Tomball (the “City”). See “THE DISTRICT.”
- The Issue* ..... \$10,885,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing serially on November 15 in the years 2025 through 2032, both inclusive, and as term bonds on November 15 in the years 2035, 2038, 2041, 2043, 2045, 2047 and 2049 (the “Term Bonds”) in the amounts shown on the cover hereof. Interest on the Bonds accrues from November 1, 2024, and is payable on May 15, 2025, and on each November 15 and May 15 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”
- Redemption* ..... The Bonds maturing on and after November 15, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on November 15, 2030, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as described herein. See “THE BONDS-Redemption Provisions.”
- Book-Entry-Only System*... The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
- Authority for Issuance* ..... The Bonds are the first series of bonds issued out of an aggregate of \$156,671,000 principal amount of unlimited tax bonds authorized by the District’s voters on November 8, 2022, for the purpose of acquiring or constructing water, wastewater and drainage facilities. The Bonds are being issued by the District pursuant to the terms and conditions of an order of the Texas Commission on Environmental Quality (the “TCEQ”), the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapter 49 of the Texas Water Code, as amended, Chapter 375, Texas Local Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”
- Source of Payment* ..... Principal of and interest on the Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City, the TIRZ or any entity other than the District. See “THE BONDS — Source of and Security of Payment.”
- Use of Proceeds* ..... Proceeds from the sale of the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including to pay for developer interest, and to pay certain other costs and fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Not Qualified Tax-Exempt Obligations* ..... The District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

*Municipal Bond*

- Rating*.....The District has not applied for an underlying investment grade rating nor is it expected that the District would have been successful if such application had been made. See “MUNICIPAL BOND RATING.”
- Payment Record*..... The District has no prior debt history.
- Legal Opinion*..... Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel.
- Disclosure Counsel*..... McCall, Parkhurst & Horton L.L.P., Houston, Texas.
- Financial Advisor* ..... Post Oak Municipal Advisors LLC, Houston, Texas.
- Engineer* ..... Kimley-Horn and Associates, Inc., LLC, Houston, Texas and Jones – Heroy & Associates, Inc. Dallas, Texas.
- Risk Factors*.....The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of risk factors, including particularly the section captioned “RISK FACTORS.”

**THE DISTRICT**

*Description* ..... The District was created by order of the Texas Commission on Environmental Quality (the “TCEQ”), dated August 12, 2022. The District contains approximately 240.075 acres of land located approximately 29 miles northwest of downtown Houston. The District is bound on the north by Grand Parkway, on the east by Rocky Road, and on the south by Boudreaux Road. The District lies entirely within the corporate limits of the City and within the boundaries of the Tomball Independent School District. See “AERIAL PHOTOGRAPH.”

*The Developers and*

*Major Landowner*.....LIT Interchange 249 Phase 1 LLC, a Texas limited liability company (“LIT Phase 1”) is a Developer of the land in the District and is a single purpose entity formed for the sole purpose of developing land in the District. LIT Phase 1 is a thinly capitalized entity whose assets consist primarily of the land it has developed in the District and receivables due from the District for development costs. LIT Phase 1 has developed buildings one, two and six which contain approximately 51.16 acres of land in the District.

LIT Interchange 249 Hanks Owner LLC, a Texas limited liability company (“LIT Hanks Owner”) is a Developer of land in the District and is a single purpose entity formed for the sole purpose of developing land in the District. LIT Hanks Owner has developed building eight which contains approximately 50.5 acres of land in the District. LIT Hanks Owner is a thinly capitalized entity whose assets consist primarily of the land it has developed in the District and receivables due from the District for development costs.

LIT Interchange 249 Business Park LLC is a Texas limited liability company (“LIT Business Park”) is the Major Landowner in the District and was formed for the sole purpose of holding land in the District for future development. LIT Business Park currently owns approximately 96.355 acres, which is substantially all of the undeveloped land in the District.

*Status of Development*.....The District is currently being marketed as the Interchange 249 Business Park (the “Business Park”), which is located near the intersection of the Grand Parkway and Texas State Highway 249. According to the Developers, the Business Park is planned to encompass approximately 240 acres of land at full development. The Business Park currently consists of four industrial buildings ranging from approximately 98,700 square feet to approximately 910,000 square feet.

Building one is owned by LIT Phase 1 and includes approximately 98,400 square feet on approximately 7.56 acres and was substantially completed on August 31, 2023. Accelerated Solutions Group, LLC, currently leases and occupies building one in the Business Park.

Building two is owned by LIT Phase 1 and includes approximately 138,375 square feet on approximately 8.38 acres and was substantially completed on August 31, 2023. Vege Garden Inc., currently leases and occupies building two in the Business Park.

Building six is owned by LIT Phase 1 and includes approximately 739,898 square feet on approximately 35.22 acres and was substantially completed on October 11, 2023. IC Star Solar (USA) LLC, currently leases and occupies a portion of building six in the Business Park. The portion of building six that is not currently occupied by IC Solar (USA) LLC, is currently being marketed to industrial users.

Building eight is owned by LIT Hanks Owner and includes approximately 908,853 square feet on approximately 50.5 acres and was substantially completed on February 1, 2023. Macy's Corporate Services, LLC, currently leases and occupies building eight in the Business Park.

The District has an additional approximately 96.355 acres that are served with trunk utilities, but no vertical construction has begun. Design is underway for additional industrial rental sites. The District has no developable land, which is not presently fully served with water distribution, wastewater collection and storm drainage facilities.

The District also contains approximately 42.06 acres of undevelopable land that are contained in rights-of-way, easements lift station sites, detention facilities, and open spaces.

*Principal Taxpayers*.....Based upon the 2024 certified tax rolls, seven principal taxpayers are responsible for payment of 100% of the District's property taxes. The largest taxpayer is LIT Interchange 249 Phase 1 LLC, which is responsible for approximately 48.29% of the District's 2024 taxes levied on approximately \$103,417,344 in taxable property value. The second largest taxpayer is LIT Interchange 249 Business Park LLC, which is responsible for approximately 47.06% of the District's 2024 taxes levied on approximately \$100,799,083 in taxable property value. LIT Interchange 249 Business Park LLC conveyed approximately 50.5 acres in the District to LIT Interchange 249 Hanks Owner LLC in 2022 for the development of building eight, but such conveyance has not been reflected in the tax rolls by Harris Central Appraisal District ("HCAD"). The Developers have submitted documentation to HCAD in order to reflect the conveyance in future supplements of the certified value. Based on detailed tax roll account information provided by HCAD as of September 26, 2024, LIT Interchange 249 Business Park LLC represents approximately 4.64% of the District's 2024 taxes levied on approximately \$9,944,324 in taxable property value and LIT Interchange 249 Hanks Owner LLC represents approximately 42.42% of the District's 2024 taxes levied on approximately \$90,854,759 in taxable property value. See "RISK FACTORS—Dependence on Principal Taxpayers," "THE DEVELOPERS AND MAJOR LANDOWNER," and "TAX DATA—Principal Taxpayers."

*The TIRZ*.....By Ordinance No. 2021-39, dated November 29, 2021, the City created the City of Tomball Tax Increment Reinvestment Zone No. 3 (the "TIRZ"), and adopted the Final Project & Financing for the TIRZ (the "TIRZ Plan") on November 20, 2023. The TIRZ encompasses approximately 240 acres, including all of the acreage in the District, for purposes of funding certain infrastructure costs for development in the TIRZ. The City has agreed to participate in the TIRZ and to deposit in an account at the City (the "Tax Increment Fund") seventy-five (75%) of all property taxes collected by the City on the Captured Appraised Value (defined herein) of the TIRZ (the "Tax Increment"). Property taxes collected on personal property are not included in the Tax Increment. The TIRZ terminates on December 31, 2051.

Pursuant to an interlocal agreement among the District, the City, and the TIRZ (the “Interlocal Agreement”), the City has agreed to make quarterly payments to the District. Tax Increments will be deposited in the Tax Increment Fund after deduction of administrative cost of the TIRZ and may be used to pay a portion of the debt service on the Bonds; however, Tax Increments are not pledged for payment of debt service on the Bonds. The Bonds are not payable from the amounts received from the Tax Increment Fund. See “CITY OF TOMBALL TAX INCREMENT REINVESTMENT ZONE NO. 3.”

### **RISK FACTORS**

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT FOR A DISCUSSION OF RISK FACTORS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

*[Remainder of Page Intentionally Blank]*

**SELECTED FINANCIAL INFORMATION**

2024 Certified Taxable Assessed Valuation.....	\$214,169,978 (a)
Gross Debt Outstanding (after issuance of the Bonds).....	\$10,885,000
Estimated Overlapping Debt.....	<u>12,357,706 (b)</u>
Gross Debt and Estimated Overlapping Debt.....	\$23,242,706
Ratio of Gross Debt to:	
2024 Certified Taxable Assessed Valuation.....	5.08%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2024 Certified Taxable Assessed Valuation.....	10.85%
Fund Balances Available as of September 12, 2024:	
Operating Fund.....	\$540,507 (c)
WW&D Debt Service Fund.....	\$0 (d) (e)
WW&D Capital Projects Fund.....	\$0 (f)
Tax Increment Fund.....	\$320,937 (g)
2023 Tax Rate:	
Debt Service.....	\$0.000
Maintenance and Operations.....	<u>\$0.615</u>
Total.....	\$0.615
Anticipated 2024 Tax Rate:	
Debt Service.....	\$0.250
Maintenance and Operations.....	<u>\$0.365</u>
Total.....	\$0.615
Average Annual Debt Service Requirements (2025-2049) on the Bonds	
("Average Requirement").....	\$715,881
Taxrate required to pay Average Requirement based upon:	
2024 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.36 /\$100 A.V.
Maximum Annual Debt Service Requirements (2049) on the Bonds	
("Maximum Requirement").....	\$765,319
Taxrate required to pay Maximum Requirement based upon:	
2024 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.38 /\$100 A.V.

- (a) As certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
- (c) See "Risk Factors – Operating Funds."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Water, Wastewater and Drainage Debt Service Fund (the "WW&D Debt Service Fund").
- (e) To be initially funded upon the closing on the Bonds with accrued interest.
- (f) To be initially funded upon the closing on the Bonds.
- (g) Tax Increments will be deposited in the Tax Increment Fund and may be used to pay a portion of the debt service on the Bonds; however, Tax Increments are not pledged for payment of debt service on the Bonds. While the Bonds or any part of the principal thereof or interest thereon remains outstanding or unpaid, the District covenants to levy and assess a continuing direct ad valorem tax, without legal limitation as to rate or amount, upon all taxable property located within the District sufficient to pay the principal and interest on the Bonds. The Bonds are not payable from the amounts received from the Tax Increment Fund. See "THE BONDS—Source of Payment," "RISK FACTORS—Maximum Impact on District Tax Rates," "TAX DATA—Tax Adequacy for Debt Service," and "CITY OF TOMBALL TAX INCREMENT REINVESTMENT ZONE NO. 3—Tax Increment Collections."



## OFFICIAL STATEMENT

**\$10,885,000**

### **TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**

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

### **UNLIMITED TAX BONDS, SERIES 2024**

This Official Statement provides certain information in connection with the issuance by Tomball Business Improvement District No. 1 (the “District”) of its \$10,885,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors (the “Board”) of the District; an election held within the District; Article XVI, Section 59 of the Texas Constitution, Chapter 49 of the Texas Water Code, as amended, the general laws of the State of Texas, including Chapter 375 of the Texas Local Government Code, as amended, and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, the City of Tomball Tax Increment Reinvestment Zone No. 3, the Tax Increment (as defined herein), and the Developers of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

## **RISK FACTORS**

### **General**

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City, the TIRZ, or any other entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

### **Dependence on Principal Taxpayers**

Based upon the 2024 certified tax rolls, seven principal taxpayers are responsible for payment of 100% of the District’s property taxes. The largest taxpayer is LIT Interchange 249 Phase 1 LLC (“LIT Phase 1” or the “Developer”), which is responsible for approximately 48.29% of the District’s 2024 taxes levied on approximately \$103,417,344 in taxable property value. The second largest taxpayer is LIT Interchange 249 Business Park LLC (“LIT Business Park” or the “Major Landowner”), which is responsible for approximately 47.06% of the District’s 2024 taxes levied on approximately \$100,799,083 in taxable property value. The Major Landowner conveyed the land for building eight to LIT Interchange 249 Hanks Owner LLC (“LIT Hanks Owner” or the “Developer”) in 2022, who developed building eight, but such conveyance has not been reflected in the certified tax rolls by the Harris Central Appraisal District (“HCAD”) as of January 1, 2024. The Developers have submitted documentation to HCAD in order to reflect the conveyance in future supplements of the certified value. Based on detailed tax roll account information provided by HCAD as of September 26, 2024, LIT Business Park represents approximately 4.64% of the District’s 2024 taxes levied on approximately \$9,944,324 in taxable property value and LIT Hanks Owner represents approximately 42.42% of the District’s 2024 taxes levied on approximately \$90,854,759 in taxable property value. LIT Phase 1 LLC, LIT Business Park and LIT Hanks Owner are related entities through associated ownership. See “THE DEVELOPERS AND MAJOR LANDOWNERS” and “TAX DATA—Principal Taxpayers.” The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Water, Wastewater and Drainage Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District’s available funds could have a material adverse effect upon the District’s ability to pay debt service on the Bonds on a current basis.

### **Dependence on Personal Property Tax Collections**

Because a majority of the District's 2024 tax base is comprised of distribution/warehouse/office facilities, approximately 3.72% (\$7,968,191) of the certified 2024 Taxable Assessed Valuation (\$214,169,978) is attributable to personal property. Such percentage is likely to increase significantly as more buildings and other improvements in the District are completed. See "TAX DATA—Summary of Assessed Valuation," and "TAX PROCEDURES—Property Subject to Taxation by the District."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitations period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAX PROCEDURES."

### **Operating Funds**

The District's only significant sources of revenue to pay its operating expenses are advances from the Developers and maintenance tax proceeds. The District does not receive water and wastewater revenues. The District expects to levy a 2024 operation and maintenance tax rate of \$0.365 per \$100 of taxable assessed valuation. The District's unaudited Operating Fund balance on September 12, 2024, is \$540,507. Attaining and maintaining a positive Operating Fund balance will depend upon continued development and increased amounts of maintenance tax revenue and if needed, advances from the Developers. In the event that funds are not made available by the Developers, the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "OPERATING STATEMENT."

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of property for commercial and industrial use. The market value of such properties is related to general economic conditions in the Houston metropolitan area, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for property of this type and the construction of structures thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

### **Competition**

The District is located approximately 29 miles northwest of downtown Houston where substantial development is occurring and competing facilities may be built with more convenient locations or lower rents. These facilities could attract the businesses located in the District and may accordingly adversely affect the business, revenues or values of the District.

Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly short-term interest rates at which landowners are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 21 miles southwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or decline in the nation's real estate and financial markets could adversely affect development in the District and restrain the growth of or reduce the value of the District's property tax base.

### **Potential Effects of Oil Price Fluctuations on the Houston Area**

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

### **Landowner Obligation to the District**

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

### **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 2024 Certified Taxable Assessed Valuation of the District is \$214,169,978. After issuance of the Bonds, the maximum annual debt service requirement will be \$765,319 (2049) and the average annual debt service requirement will be \$715,881 (2025-2049). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.38 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$765,319 and a tax rate of \$0.36 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$715,881. See "DEBT SERVICE REQUIREMENTS."

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2024 Certified Taxable Assessed Valuation, the District makes no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction of other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

### **Overlapping Taxes**

All of the land within the District is also within the corporate boundaries of the City. The City is responsible for the design, financing, and construction of all water wells, water and wastewater plants, and related facilities and all transmission and collection lines and mains necessary to transmit water to, and to take wastewater from, the District's boundaries. The debt service on bonds issued by the City is paid from ad valorem taxes on all taxable value within the City, including taxable value in the District. Such City taxes are in addition to taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with the property located in other real estate developments, the tax rate of the District, the City, and other taxing jurisdictions must be added together. There can

be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated within the District will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. The City levied a 2023 tax of \$0.293320 per \$100 of assessed valuation. Such rate, combined with the tax rate of the District, is higher than tax rates presently being levied by some special districts in the general vicinity of the District. Further, the City has sold multiple series of bonds to finance and maintain infrastructure within its boundaries. The District can make no representation that taxable property values in the District and the City will maintain value sufficient to support the continued payment of taxes by property owners. See “UTILTY AGREEMENT,” “FINANCIAL STATEMENT” and “TAX DATA—Tax Adequacy for Debt Service.”

### **Severe Weather**

The District is located approximately 80 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., “500-year flood” events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

### **Specific Flood Type Risks**

*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 rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. According to the District’s Engineer, none of the developable acreage within the District is located within the 100-year flood plain. Additionally, none of the undevelopable land within the District lies within the 100-year flood plain. The District’s storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location.

*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 of or behind a dam, levee or reservoir.

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

## **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The 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 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 "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

## **Registered Owners' Remedies and Bankruptcy Limitations**

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 of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable 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. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges

have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

### **Continuing Compliance with Certain Covenants**

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

### **Marketability**

The District has no agreement with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

### **Environmental Regulations**

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

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

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

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

Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The 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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

### **Future Debt**

The Developers have financed or are financing the engineering and construction costs of underground utilities to serve various subdivisions in the District, and certain other District improvements, including drainage facilities. After the reimbursements are made with Bond proceeds, the Developers will have expended (as of August 31, 2024) approximately \$18,357,620 for design, construction and acquisition of water, wastewater, and drainage facilities, and road facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the Commission and state law. Additionally, the District has no developable land not presently fully served with water distribution, wastewater collection and storm drainage facilities. The District makes no representation that any additional development will occur within the District. See "THE BONDS—Issuance of Additional Debt."

## **THE BONDS**

### **General**

The Bonds will be dated and accrue interest from November 1, 2024, which interest is payable on May 15, 2025, and on each November 15 and May 15 thereafter, until the earlier of maturity or prior redemption. The Bonds mature on November 15 in the amounts and years and bear interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be issued in fully registered form in denominations of \$5,000 or integral multiples thereof.



### **Authority for Issuance**

At a bond election held within the District on November 8, 2022, the voters of the District authorized the issuance of a total of \$156,671,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities. The Bonds are being issued pursuant to such authorization. After issuance of the Bonds, \$145,786,000 principal amount of unlimited tax bonds will remain authorized but unissued for water, wastewater and drainage facilities. See “Issuance of Additional Debt” below.

The Bonds are issued pursuant to the Bond Resolution; an election held within the District; the general laws of the State of Texas including, Article XVI, Section 59 of the Texas Constitution, Chapter 49 of the Texas Water Code, as amended, Chapter 375, Texas Local Government Code, as amended, and an order of the TCEQ.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. 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.

### **Source of and Security for Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds and any future bonds payable in whole or in part from taxes, 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 obligations of the State of Texas, Harris County, the City, the TIRZ, or any entity other than the District.

### **Funds**

In the Bond Resolution, the Water, Wastewater & Drainage 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.

The District also maintains a Tax Increment Fund that is not pledged to the Bonds. Funds in the Tax Increment Fund are not available to pay principal and interest on the Bonds.

Accrued interest on the Bonds shall be deposited into the Water, Wastewater & Drainage Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Water, Wastewater & Drainage Capital Projects Fund, to be used for the purpose of reimbursing the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Water, Wastewater & Drainage Capital Projects Fund after completion of construction of the entire water, wastewater & drainage facilities will be used as described in the Bond Resolution or ultimately transferred to the Water, Wastewater & Drainage Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto.

### **Method of Payment of Principal and Interest**

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Houston, Texas as the initial 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, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Register on the fifteenth (15th) day (whether or not a business day) of the month prior to 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 to 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.

**No Arbitrage**

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution 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**

*Mandatory Redemption:* The Bonds maturing on November 15 in the years 2035, 2038, 2041, 2043, 2045, 2047 and 2049 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on November 15 in each of the years and in the principal amounts set forth in the following schedule:

\$1,070,000 Term Bonds Due November 15, 2035		\$1,230,000 Term Bonds Due November 15, 2038		\$1,425,000 Term Bonds Due November 15, 2041	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2033	\$ 340,000	2036	\$ 390,000	2039	\$ 450,000
2034	355,000	2037	410,000	2040	475,000
2035 (maturity)	375,000	2038 (maturity)	430,000	2041 (maturity)	500,000
\$1,075,000 Term Bonds Due November 15, 2043		\$1,185,000 Term Bonds Due November 15, 2045		\$1,305,000 Term Bonds Due November 15, 2047	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2042	\$ 525,000	2044	\$ 580,000	2046	\$ 635,000
2043 (maturity)	550,000	2045 (maturity)	605,000	2047 (maturity)	670,000
\$1,435,000 Term Bonds Due November 15, 2049					
Mandatory Redemption Date	Principal Amount				
2048	\$ 700,000				
2049 (maturity)	735,000				

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term 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.

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on and after November 15, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on November 15, 2030, or on 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 fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or 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 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 fewer 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 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 that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

#### **Record Date**

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

#### **Registration and Transfer**

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. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

#### **Replacement of 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, a corporation 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.

#### **Lost, Stolen or Destroyed Bonds**

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon

receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

### **Issuance of Additional Debt**

After issuance of the Bonds, the District will have \$145,786,000 principal amount of unlimited tax bonds authorized but unissued for water, wastewater and drainage facilities, \$78,335,000 principal amount of unlimited tax bonds authorized but unissued for water, wastewater and drainage facilities refunding bonds, \$17,980,000 principal amount of unlimited tax bonds authorized but unissued for roads, \$ 8,990,000 principal amount of unlimited tax bonds authorized but unissued for road refunding bonds, \$42,161,000 principal amount of unlimited tax bonds authorized but unissued for parks and recreational facilities, and \$21,080,500 principal amount of unlimited tax bonds authorized but unissued for parks and recreational facilities refunding bonds. The District anticipates issuing additional bonds in the future. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Future Debt" and "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED."

Issuance of additional bonds could dilute the investment security for the Bonds.

### **Dissolution of District**

Under existing Texas law, the District may be dissolved by the City without the District's consent. However, pursuant to an agreement with the District, the City may not dissolve the District until the Facilities (defined therein) that serve the District are complete and certain obligations are met. See "UTILITY AGREEMENT."

If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days thereafter. Prior to dissolution by the City, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or causing the City to sell bonds or the City in an amount necessary to discharge such obligations. Dissolution of the District by the City is a policymaking matter within the discretion of the Mayor and City Council of the City. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution 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 observance 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 of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS-Registered Owners' Remedies and Bankruptcy Limitations."

## **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 of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and that 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.

## BOOK-ENTRY-ONLY SYSTEM

*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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.*

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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. With respect to the Bonds, one fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 ("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 affect 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 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 the 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 Bonds 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

## **THE DISTRICT**

### **General**

The District was created by order of the TCEQ, dated August 12, 2022. The District contains approximately 240.075 acres of land located approximately 29 miles northwest of downtown Houston. The District is bound on the north by Grand Parkway, on the east by Rocky Road, and on the south by Boudreaux Road. The District lies entirely within the corporate limits of the City and within the boundaries of the Tomball Independent School District.

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 wastewater; and the control and diversion of storm water. The District is also empowered to construct internal, thoroughfare, arterial and collector roads and improvements in aid thereof and to establish parks and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. The District may purchase, construct, operate and maintain public improvements authorized for a municipal management district and may provide for the creation or programs and the making of loans and grants of public monies for the public purposes of development and diversification of the State's economy, the elimination of unemployment or underemployment, and/or the development or expansion of transportation or commerce.

The TCEQ exercises continuing supervisory jurisdiction over the District only for the water, wastewater and drainage projects. The District is required to observe certain requirements of the City which, along with Texas law, limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain public facilities to be designed in accordance with applicable City standards. Construction and operation of the District's facilities are subject to the regulatory jurisdiction of additional government agencies. See "UTILITY AGREEMENT."

### **Description and Location**

The District contains approximately 240.075 acres of land located approximately 29 miles northwest of downtown Houston. The District is bound on the north by Grand Parkway, on the east by Rocky Road, and on the south by Boudreaux Road. The District is entirely within the corporate limits of the City of Tomball. See "AERIAL PHOTOGRAPH."

### **Status of Development**

The District is currently being marketed as the Interchange 249 Business Park (the "Business Park"), which is located near the intersection of the Grand Parkway and Texas State Highway 249. According to the Developers, the Business Park is planned to encompass approximately 240 acres of land at full development. The Business Park currently consists of four industrial buildings ranging from approximately 98,700 square feet to approximately 910,000 square feet.

Building one is owned by LIT Phase 1 and includes approximately 98,400 square feet on approximately 7.56 acres and was substantially completed on August 31, 2023. Accelerated Solutions Group, LLC, currently leases and occupies building one in the Business Park.

Building two is owned by LIT Phase 1 and includes approximately 138,375 square feet on approximately 8.38 acres and was substantially completed on August 31, 2023. Vego Garden Inc., currently leases and occupies building two in the Business Park.

Building six is owned by LIT Phase 1 and includes approximately 739,898 square feet on approximately 35.22 acres and was substantially completed on October 11, 2023. IC Star Solar (USA) LLC, currently leases and occupies a portion of building six in the Business Park. The portion of building six that is not currently occupied by IC Solar (USA) LLC, is currently being marketed to industrial users.

Building eight is owned by LIT Hanks Owner and includes approximately 908,853 square feet on approximately 50.5 acres and was substantially completed on February 1, 2023. Macy's Corporate Services, LLC, currently leases and occupies building eight in the Business Park.

The District has an additional approximately 96.355 acres that are served with trunk utilities, but no vertical construction has begun. Design is underway for additional industrial rental sites. The District has no developable land, which is not presently fully served with water distribution, wastewater collection and storm drainage facilities.

The District also contains approximately 42.06 acres of undevelopable land that are contained in rights-of-way, easements lift station sites, detention facilities, and open spaces.

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## MANAGEMENT

### **Board of Directors**

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are appointed by the City to serve four-year staggered terms. The Directors of the District are listed below:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Michael Harney	President	June 2026
Ernesto Alfaro	Vice President	June 2026
Jorge Guerra Jr.	Secretary	June 2028
<i>Vacant</i>	Assistant Secretary	-
Richard Jenks	Assistant Vice President	June 2026

While the District does not employ any full-time employees, it has contracted for certain services as follows:

### **Tax Assessor/Collector**

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Utility Tax Service, LLC is currently serving in this capacity for the District.

### **Bookkeeper**

The District has engaged District Data Services, LLC to serve as the District's bookkeeper.

### **Engineer**

The consulting engineers for the District in connection with the design and construction of the District's facilities is Kimley-Horn and Associates, Inc. and Jones – Heroy & Associates, Inc. Dallas, Texas. (the "Engineer").

### **Financial Advisor**

Post Oak Municipal Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

### **Attorney**

The District has engaged Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid 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 on the sale and delivery of the Bonds. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as General Counsel are based on time charges actually incurred.

### **Auditor**

As required by the Texas Water Code, the District retains an independent accountant to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The District's financial statements for the fiscal year ended May 31, 2024, have been audited by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's May 31, 2024, audited financial statements.

## THE DEVELOPERS AND MAJOR LANDOWNER

### **Role of a Developers**

In general, the activities of a landowner or developer in a municipal management district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental

approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the Commission to pave certain streets, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

### **LIT Interchange 249 Phase 1 LLC**

LIT Interchange 249 Phase 1 LLC, a Texas limited liability company (“LIT Phase 1”) is a Developer of the land in the District and is a single purpose entity formed for the sole purpose of developing land in the District. LIT Phase 1 is a thinly capitalized entity whose assets consist primarily of the land it has developed in the District and receivables due from the District for development costs. LIT Phase 1 has developed buildings one, two and six which contain approximately 51.16 acres of land in the District.

### **LIT Interchange 249 Hanks Owner LLC**

LIT Interchange 249 Hanks Owner LLC, a Texas limited liability company (“LIT Hanks Owner”) is a Developer of land in the District and is a single purpose entity formed for the sole purpose of developing land in the District. LIT Hanks Owner has developed building eight which contains approximately 50.5 acres of land in the District. LIT Hanks Owner is a thinly capitalized entity whose assets consist primarily of the land it has developed in the District and receivables due from the District for development costs.

LIT Phase 1 and LIT Hanks Owner are referred to herein as the “Developers.”

### **LIT Interchange 249 Business Park LLC**

LIT Interchange 249 Business Park LLC is a Texas limited liability company (“LIT Business Park”) is the Major Landowner in the District and was formed for the sole purpose of holding land in the District for future development. LIT Business Park currently owns approximately 96.355 acres, which is substantially all of the undeveloped land in the District.

LIT Phase 1, LIT Hanks Owner and LIT Business Park are related entities through associated ownership.

### **Acquisition and Development Financing**

To obtain development financing for Interchange 249 Business Park, LIT Phase 1 entered into a loan agreement with Comerica Bank. Pursuant to such loan agreement, LIT Phase 1 may obtain advances for the installation infrastructure within the District. Advances under such loan agreement is subject to a deed of trust on LIT Phase 1’s land within the District. Pursuant to such loan agreement, the notes payable to Comerica Bank have a maturity date of April 8, 2025. As of August 31, 2024 the outstanding balance on the note related to infrastructure was approximately \$9.7 million. LIT Phase 1 is in compliance with all material terms of the loan agreement.

To obtain development financing for Interchange 249 Business Park, LIT Hanks Owner entered into a loan agreement with Comerica Bank. Pursuant to such loan agreement, LIT Hanks Owner may obtain advances for the installation infrastructure within the District. Advances under such loan agreement is subject to a deed of trust on LIT Hanks Owner’s land within the District. Pursuant to such loan agreement, the notes payable to Comerica Bank have a maturity date of January 21, 2026. As of August 31, 2024 the outstanding balance on the note related to infrastructure was approximately \$7.1 million. LIT Hanks Owner is in compliance with all material terms of the loan agreement.

## **THE ROAD SYSTEM**

All roadways are designed and constructed in accordance with the City and Harris County standards, rules, and regulations. Upon acceptance by the City, the City is responsible for the operation and maintenance of all roadways. These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, wastewater and drainage facilities are located within the right-of-way or adjacent public utility easements. The right-

of-way is also shared by streetlights, sidewalks, and franchise utilities (including power, gas, telephone, fiber, and cable).

## **UTILITY AGREEMENT**

The District operates pursuant to a Utility Agreement between the City and the District, dated as of November 29, 2021, and assigned to the District as of August 3, 2023, (the “Utility Agreement”). Pursuant to the Utility Agreement, the District assumed responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to, the City, the water distribution, wastewater collection, storm water and road facilities and recreational and landscaping improvements to serve development occurring within the boundaries of the District (the “Facilities”); the City agreed to accept the Facilities, except for detention and park and recreation facilities, for operation and maintenance at the sole cost of the City in consideration for the District’s financing, acquisition and construction of the Facilities. In order to secure performance by the City of its obligations under the Utility Agreement, the District retains a security interest in the Facilities transferred to the City until the District’s bonds issued to acquire and construct the Facilities are paid off. It is the City’s obligation to set rates and charges for the use of the Facilities and to bill and collect such rates and charges from customers of the Facilities. The City agrees to charge customers of the District equal and uniform water and wastewater rates as those users of similar classifications in areas of the City outside the boundaries of the District. All revenues from the Facilities belong exclusively to the City. The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City’s requirements and criteria.

The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind. The City has covenanted to maintain the Facilities (except for detention and park and recreation facilities), or cause the Facilities (except for detention and park and recreation facilities) to be maintained, in good condition and working order and to operate the same, or cause the same, to be operated in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. The City has also covenanted to comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders by any governmental or judicial body promulgating the same.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities.

The City’s right to dissolve the District is restricted under the Utility Agreement. See “THE BONDS—Dissolution by the City.” Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until ninety percent of the District’s Facilities have been developed and the developers advancing funds to construct the Facilities have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement of the District under such rules.

## **WATER AND WASTEWATER SYSTEM**

### **Facilities**

The facilities shall be designed and constructed in compliance with all applicable requirements and criteria of the City, the TCEQ, the Attorney General of Texas, or any other federal or state agency with regulatory jurisdiction the District. The District shall not be required to design and construct the facilities to requirements more stringent than the City's requirements and criteria applicable to all design and construction within the City's jurisdiction. The District shall design, construct or extend the facilities in such phases or stages as the District, in its sole discretion, from time to time may determine to be economically feasible except the elevated storage tank (the “Tank”, as described below). The Tank shall be constructed in the first phase of construction.

### **Water Supply**

The District’s source of water supply is from the City, pursuant to the Utility Agreement. Under the Agreement, the District receives enough water capacity to serve the ultimate needs of the District. The District constructs the internal water lines within the District, then the lines are conveyed to the City for operation and maintenance. The District’s water supply is capable of serving the ultimate projected development of 455 ESFCs, which is sufficient to serve the 188 ESFCs as of August 31, 2024.

## **Water Distribution and Supply Facilities**

The District estimates that its ultimate requirement for water supply at full build-out will be 455 equivalent single family connections (“ESFCs”) based on a rate of 250 gallons per ESFC (the “Water Capacity”). The City shall provide the District with the Water Capacity requirements for water supply as needed and required by the District. The City shall supply water through a 12” water supply lines located at the point of connection. Additionally, the District agrees to fund fifty percent (50%) of the design and construction costs of an elevated water storage tank (the “Tank”) not to exceed 1.0 MG within the boundaries of the District in a mutually agreed upon location. The City has designed the Tank and is in the process of completing the Tank. The District may make other points of connection to the City's water supply system as approved by the City engineer. The City will acquire any necessary off-site easements to the extent required for any water supply line to serve the District, if such acquisition is agreed to by the City and the District.

If the District requires water supply in excess of the Water Capacity, and such excess is not available in the then-existing City water supply facilities, the District agrees to finance any and all costs associated with the reasonable and necessary expansion of the then-existing City water supply facilities.

## **Wastewater Treatment**

The District’s source of wastewater is from the City, pursuant to the Utility Agreement. Under the Agreement, the District receives enough wastewater capacity to serve the ultimate needs of the District. The District constructs the internal wastewater lines within the District, then the lines are conveyed to the City for operation and maintenance.

The City of Tomball South Wastewater Treatment Facility, TPDES Permit WQ0010616002 is permitted for a current capacity of 1.5 MGD, with an ultimate capacity of 4.5 MGD.

The District’s wastewater capacity is capable of serving the ultimate projected development of 455 ESFCs, which is sufficient to serve the 188 ESFCs as of August 31, 2024.

## **Wastewater Treatment Plant Facilities and Connections**

The District estimates that its ultimate requirement for wastewater treatment at full build-out will be 455 ESFCs (the “Wastewater Capacity”). The City shall provide the District with the Wastewater Capacity requirements for wastewater treatment as needed and required by the District. The City on behalf of the District has constructed a public lift station and a public 6-inch wastewater force main to the point of connection at Holderrieth Road and is waiting on final acceptance from the City.

If the District requires wastewater treatment capacity in excess of the Wastewater Capacity, and such excess is not available in the then-existing City wastewater treatment facilities, the District agrees to finance any and all costs associated with the reasonable and necessary expansion of the then-existing City wastewater treatment facilities. The District shall adhere to the City's pretreatment program. Any needs above the capacity of the treatment plant or City's TPDES (Texas Pollutant Discharge Elimination System) permit shall be the responsibility of the District.

Notwithstanding the foregoing, the City shall not allow to be made any connection to the District's sanitary sewer system until, with respect to such connection:

- (1) the City has inspected the connection and premises and has issued a building permit for that connection; and
- (2) all buildings or structures served by connections shall be located entirely within the boundaries of a lot or parcel shown in a plan, plat or replat filed with and finally approved by the City Planning Commission and duly recorded in the official records of the county where the property is located (provided this limitation shall not apply if no plan, plat or replat is required by applicable State statutes, City ordinances or City Planning Commission regulations).

## USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$9,502,474 is estimated for construction costs, \$596,618 is estimated for non-construction costs, and \$785,908 estimated for issuance costs and fees.

### I. CONSTRUCTION COSTS

<b>Developer Contribution Items</b>		
1)	None	\$ -
<b>District Items</b>		
1)	Lift Station and Force Main.....	\$ 2,689,552
2)	Engineering & Testing (16.3% of items No. 1).....	457,422
3)	Impact Fees.....	102,642
4)	Land Cost.....	6,252,859
<b>Subtotal District Items.....</b>		<b>\$ 9,502,474</b>
<b>Total Construction Cost.....</b>		<b>\$ 9,502,474</b>

### II. NON-CONSTRUCTION COSTS

•	Developer Interest.....	\$ 270,068
•	Underwriter's Discount (a).....	325,723
•	Contingency (a).....	827
<b>Total Non-Construction Costs.....</b>		<b>\$ 596,618</b>

### III. ISSUANCE COSTS AND FEES

•	Legal Fees.....	\$ 257,700
•	Financial Advisor Fees.....	181,063
•	Bond Issuance Expenses.....	42,076
•	Bond Application Report.....	64,713
•	TCEQ Bond Issuance Fee (0.25% of BIR).....	27,212
•	Attorney General Fee (0.1% of BIR w/ max \$9,500).....	9,500
•	Creation Expenses (0.7% of BIR).....	78,644
•	Operating Expenses (1.1% of BIR).....	125,000
<b>Total Issuance Cost and Fees.....</b>		<b>\$ 785,908</b>
<b>TOTAL BOND ISSUE.....</b>		<b>\$ 10,885,000</b>

(a) Contingency represents the difference between estimated and actual amounts of Underwriter's Discount.

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

### Future Debt

The Developers have financed or are financing the engineering and construction costs of underground utilities and roads to serve various subdivisions in the District, and certain other District improvements, including drainage facilities. After the reimbursements are made with Bond proceeds, the Developers will have expended (as of August 31, 2024) approximately \$18,357,620 for design, construction and acquisition of water, wastewater, and drainage facilities, and road facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the TCEQ and state law.

Additionally, the District has no developable land not presently fully served with water distribution, wastewater collection and storm drainage facilities. The District makes no representation that any additional development will occur within the District. See “THE BONDS—Issuance of Additional Debt.”

**UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED**

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/8/2022	Water, Wastewater, and Drainage Facilities	\$156,671,000	\$10,885,000 (a)	\$145,786,000
11/8/2022	Water, Wastewater, and Drainage Refunding	\$78,335,000	\$0	\$78,335,000
11/8/2022	Road Facilities	\$17,980,000	\$0	\$17,980,000
11/8/2022	Road Refunding	\$8,990,000	\$0	\$8,990,000
11/8/2022	Parks and Recreational Facilities	\$42,161,000	\$0	\$42,161,000
11/8/2022	Parks and Recreational Facilities and Refunding	\$21,080,500	\$0	\$21,080,500

(a) Includes the Bonds.

**FINANCIAL STATEMENT (UNAUDITED)**

2024 Certified Taxable Assessed Valuation.....	\$214,169,978 (a)
Gross Debt Outstanding (after issuance of the Bonds).....	\$10,885,000
Estimated Overlapping Debt.....	<u>12,357,706 (b)</u>
Gross Debt and Estimated Overlapping Debt.....	\$23,242,706
Ratio of Gross Debt to 2024 Certified Taxable Assessed Valuation.....	5.08%
Ratio of Gross Debt and Estimated Overlapping Debt to 2024 Certified Taxable Assessed Valuation.....	10.85%

Area of District: 240.075 acres

(a) As certified by the Harris Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”

(b) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”

**Tax Increment Fund**

Pursuant to an interlocal agreement among the District, the City, and the TIRZ (the “Interlocal Agreement”), the City has agreed to make quarterly payments to the District (the “Tax Increment”) of all monies available in the Tax Increment Fund, after deduction of administrative costs of the TIRZ. Tax Increment will be deposited in the Tax Increment Fund and may be used to pay a portion of the debt service on the Bonds; however, Tax Increment are not pledged for payment of debt service on the Bonds. The balance in the Tax Increment Fund as of September 12, 2024, is \$320,937. The Bonds are not payable from the amounts received from the Tax Increment Fund. See “CITY OF TOMBALL TAX INCREMENT REINVESTMENT ZONE NO. 3.”

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**Cash and Investment Balances** (unaudited as of September 12, 2024)

Operating Fund	Cash and Temporary Investments	\$540,507 (a)
WW&D Debt Service Fund	Cash and Temporary Investments	\$0 (b) (c)
WW&D Capital Projects Fund	Cash and Temporary Investments	\$0 (d)
Tax Increment Fund	Cash and Temporary Investments	\$320,937 (e)
TIRZ Debt Service Fund	Cash and Temporary Investments	\$0 (f)

(a) See “Risk Factors – Operating Funds.”

(b) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Water, Wastewater and Drainage Debt Service Fund (the “WW&D Debt Service Fund”).

(c) To be initially funded upon the closing of the Bonds with accrued interest.

(d) To be initially funded upon the closing on the Bonds.

(e) Tax Increments will be deposited in the Tax Increment Fund and may be used to pay a portion of the debt service on the Bonds, however, Tax Increment are not pledged for payment of debt service on the Bonds. While the Bonds or any part of the principal thereof or interest thereon remains outstanding or unpaid, the District covenants to levy and assess a continuing direct ad valorem tax, without legal limitation as to rate or amount, upon all taxable property located within the District sufficient to pay the principal and interest on the Bonds. See “THE BONDS—Source of and Security of Payment,” “RISK FACTORS—Maximum Impact on District Tax Rates,” “TAX DATA—Tax Adequacy for Debt Service,” and “CITY OF TOMBALL TAX INCREMENT REINVESTMENT ZONE NO. 3—Tax Increment Collections.”

**ESTIMATED OVERLAPPING DEBT STATEMENT**

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in the “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 should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing <u>Jurisdiction</u>	Outstanding <u>Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Harris County.....	\$2,577,839,039	8/31/2024	0.02%	\$515,568
Harris County Flood Control.....	991,095,000	8/31/2024	0.02%	\$198,219
Harris County Hospital District.....	65,285,000	8/31/2024	0.02%	\$13,057
Harris County Education Department.....	28,960,000	8/31/2024	0.02%	\$5,792
Lone Star College System.....	509,390,000	8/31/2024	0.05%	\$254,695
City of Tomball.....	67,565,000	8/31/2024	4.67%	\$3,155,286
Tomball ISD.....	855,775,000	8/31/2024	0.95%	\$8,129,863
Port of Houston Authority.....	426,134,397	8/31/2024	0.02%	\$85,227
Total Estimated Overlapping Debt.....				<u>\$12,357,706</u>
The District.....	10,885,000 (a)	Current	100.00%	\$10,885,000
Total Direct and Estimated Overlapping Debt.....				\$23,242,706
Ratio of Total Direct and Estimated Overlapping Debt to:				
2024 Certified Taxable Assessed Valuation.....				10.85%

(a) Includes the Bonds.

**Overlapping Tax Rates for 2023**

	<u>2023 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Harris County.....	\$ 0.350070
Harris County Flood Control.....	0.310500
Harris County Hospital District.....	0.143430
Harris County Education Department.....	0.004800
Harris County ESD No. 8.....	0.898190
Harris County ESD No. 15.....	0.048810
Lone Star College System.....	0.107600
City of Tomball.....	0.293320
Tomball ISD.....	1.065200
Port of Houston Authority.....	<u>0.005740</u>
Total Overlapping Tax Rate.....	\$ 3.227660
The District .....	<u>0.615000</u>
Total Tax Rate.....	\$ 3.842660

**TAX DATA**

**Tax Collections**

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from the District’s Tax Assessor/Collector. Reference is made to these records for further and more complete information.

<u>Tax Year</u>	<u>Net Certified Taxable Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Tax Levy</u>	<u>Total Collections As of August 31, 2024</u>	
				<u>Amount</u>	<u>Percent</u>
2023	\$ 153,730,404	\$ 0.615	\$ 945,442	\$ 945,250	100.00% (a)

(a) 2023 was the first year of tax collections.

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

**Tax Rate Distribution**

	<u>Anticipated 2024 (a)</u>	<u>2023</u>
Debt Service	\$0.250	\$0.000
Maintenance and Operations	<u>0.365</u>	<u>0.615</u>
Total	\$0.615	\$0.615

(a) The District has authorized publication of its intent to levy a total tax rate of \$0.615 per \$100 assessed valuation, of which \$0.365 is allocated to debt service and \$0.250 is allocated to maintenance and operations. The District expects to adopt such a tax rate in November 2024.

**Tax Rate Limitations**

Debt Service: Unlimited (no legal limit as to rate or amount).  
 Maintenance and Operations: \$1.50 per \$100 of taxable assessed valuation.  
 Road Maintenance: \$0.25 per \$100 of taxable assessed valuation.



### **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. The Board expects to levy the District's initial debt service tax for 2024 in the amount of \$0.25 per \$100 of taxable assessed valuation. See "Tax Rate Distribution" herein.

### **Maintenance and Operations Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on November 8, 2022, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. The District levied a maintenance and operations tax for 2023 in the amount of \$0.615 per \$100 of taxable assessed valuation. The District expects to levy a maintenance and operations tax for 2024 in the amount of \$0.365 per \$100 of taxable assessed valuation.

### **Tax Exemptions**

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. The Developers have executed Waivers of Special Appraisal, waiving their right to claim any agriculture or open space exemptions or any other type of exemption or valuation for the property they own within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waivers are binding for periods of thirty years.

### **Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established 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) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to Title 1 of the Texas Tax Code.

### **Summary of Assessed Valuation**

The following summary of the 2024 and 2023 certified assessed valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2024 tax rolls of the District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	<u>2024</u>	<u>2023</u>
Land	\$159,773,877	\$34,429,989
Improvements	49,130,233	119,300,415
Personal Property	7,968,191	0
Exempt Property	<u>(2,702,323)</u>	<u>0</u>
Total Assessed Valuation	\$214,169,978	\$153,730,404

**Principal Taxpayers**

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2024 certified tax rolls, which reflect ownership at January 1, 2024.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Certified Assessed Valuation</u>	<u>% of 2024 Certified Assessed Valuation</u>
LIT Interchange 249 Phase 1 LLC (a)	Land & Improvement	\$103,417,344	48.29%
LIT Interchange 249 Business Park LLC (a) (b)	Land & Improvement	100,799,083	47.06%
Accelerated Solutions Group LLC	Personal Property	4,730,701	2.21%
Vego Garden Inc.	Personal Property	3,225,347	1.51%
LIT Interchange 249 Divest LLC (c)	Land	1,940,053	0.91%
Individual	Land	45,307	0.02%
Lexmark International Inc.	Personal Property	12,143	0.01%
<b>Total for Principal Taxpayers</b>		<b>\$ 214,169,978</b>	<b>100.00%</b>

- (a) The Developers or Major Landowner. See “THE DEVELOPERS AND MAJOR LANDOWNER” herein.
- (b) In 2022, LIT Interchange 249 Business Park LLC (“LIT Business Park”) conveyed approximately 50.5 acres of land to (“LIT Hanks Owner”), who developed the land, but such conveyance has not been reflected by HCAD. Building eight’s 2024 Certified Assessed Valuation is \$90,854,759 which equals 42.42% of the 2024 Certified Assessed Valuation. The Developers have submitted documentation to HCAD in order to reflect the conveyance in future supplements of the certified value.
- (c) LIT Interchange 249 Divest LLC is related to the Developers and Major Landowner through associated ownership.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2024 Certified Taxable Assessed Valuation, no use of available funds, and utilize tax rates necessary to pay the District’s average and maximum annual debt service requirements on the Bonds.

Average annual debt service requirement (2025-2049).....	\$715,881
\$0.36 tax rate on the 2024 Certified Taxable Assessed Valuation of \$214,169,978 at a 95% collection rate produces.....	\$732,461
Maximum annual debt service requirement (2049).....	\$765,319
\$0.38 tax rate on the 2024 Certified Taxable Assessed Valuation of \$214,169,978 at a 95% collection rate produces.....	\$773,154

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**CITY OF TOMBALL TAX INCREMENT REINVESTMENT ZONE NO. 3**

By Ordinance No. 2021-39, dated November 29, 2021, the City created the City of Tomball Tax Increment Reinvestment Zone No. 3 (the “TIRZ”), and adopted the Final Project & Financing for the TIRZ (the “TIRZ Plan”) on November 20, 2023. The TIRZ encompasses approximately 240 acres, including all of the acreage in the District, for purposes of funding certain infrastructure costs for development in the TIRZ. The City has agreed to participate in the TIRZ and to deposit in an account at the City (the “Tax Increment Fund”) seventy-five (75%) of all property taxes collected by the City (the “Tax Increment”) attributable to the increase in taxable real property within the TIRZ including all of the property in the District since January 1, 2022 (“Captured Appraised Value”). Property taxes collected on personal property are not included in the Tax Increment. The TIRZ terminates on December 31, 2051.

Pursuant to an interlocal agreement among the District, the City, and the TIRZ (the “Interlocal Agreement”), the City has agreed to make quarterly Tax Increment payments to the District. The Tax Increment will be deposited in the Tax Increment Fund and may be used to pay a portion of the debt service on the Bonds; however, Tax Increments are not pledged for payment of debt service on the Bonds. See “THE BONDS—Source of and Security for Payment.”

**Tax Increment Collections**

Year	Less: Base Value (a)	Certified Real Property	Captured Appraised Value	Tax Rate	Tax Levy	Tax Collections	Tax Increment (b)	Collection Rate (c)
2023	\$ (7,843,320)	\$ 153,730,404	\$ 145,887,084	\$ 0.293320	\$ 427,916	\$ 427,916	\$ 320,937	100.00%

- (a) Base value is the taxable value in the TIRZ in 2022, the year of creation of the TIRZ.
- (b) The Tax Increment is prior to deduction of the City’s administrative fee.
- (c) The collection rate was provided by the City’s department of finance.

**TAX 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 and Security for 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 for the payment of certain contractual obligations. See “TAX DATA.”

**Property Tax Code and County-Wide Appraisal District**

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, 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 of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (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 Central 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons 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 twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty 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 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 certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) 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, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported

such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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 taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

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

### **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. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value 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 be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property 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 as to 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 (3) years for agricultural use, open space land and timberland.

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 (3) 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 formally to 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.

### **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 for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. 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. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property 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, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

### **Rollback of Operation and Maintenance Tax Rate**

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

### Special Taxing Units:

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 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, may be 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. For the 2024 tax year, the District is classified as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT-Overlapping Tax Rates for 2023." 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 a 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 subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must

join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential 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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS-General" and "-Tax Collection Limitations," and "-Registered Owners' Remedies and Bankruptcy Limitations."

**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.

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## OPERATING STATEMENT

### General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property located within the District. Surplus revenues, if any, of the District's General Fund are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds.

### Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. The City operates the water and wastewater system that serves the District, so the District collects no net revenues from operating the System. Such summary is based upon information obtained from the District's audited financial statement for fiscal year 2024, and from the District's bookkeeper for the three-month period ended August 31, 2024. See "RISK FACTORS – Operating Funds." Reference is made to such records and statements for further and more complete information.

	<u>6/1/2024</u>	<u>Fiscal Year Ended May 31</u>
	<u>8/31/2024 (b)</u>	<u>2024 (a)</u>
<b>Revenues:</b>		
Property Taxes	\$ -	\$ 935,594
Investment Revenues	1,017	1,252
Miscellaneous Revenues	-	10
<b>Total Revenues</b>	<b><u>\$ 1,017</u></b>	<b><u>\$ 936,856</u></b>
<b>Expenditures:</b>		
Service Operations:		
Professional Fees	\$ 80,691	\$ 44,964
Contracted Services	9,770	16,326
Repairs and Maintenance	-	11,718
Depreciation	-	-
Other	1,104	3,064
Conveyance of Assets	-	-
<b>Total Expenditures</b>	<b><u>\$ 91,565</u></b>	<b><u>\$ 76,072</u></b>
<b>Excess (Deficiency) of Revenues Under Expenditures</b>	<b>\$ (90,548)</b>	<b>\$ 860,784</b>
<b>Other Financing Sources (Uses)</b>		
Developer Advances	\$ -	\$ 50,000
<b>Net Change in Fund Balance</b>	<b>\$ (90,548)</b>	<b>\$ 910,784</b>
<b>Beginning Fund Balance</b>	<b>\$ 921,843</b>	<b>\$ 11,059</b>
<b>Ending Fund Balance</b>	<b><u>\$ 831,295</u></b>	<b><u>\$ 921,843</u></b>

(a) The District's first audit.

(b) Unaudited. Provided by the District's bookkeeper.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Bonds.

Calendar Year	Debt Service on the Bonds			Total Debt Service
	Principal	Interest	Total	
2025	\$ 210,000	\$ 495,842	\$ 705,842	\$ 705,842
2026	240,000	463,631	703,631	703,631
2027	250,000	448,031	698,031	698,031
2028	265,000	431,781	696,781	696,781
2029	280,000	414,556	694,556	694,556
2030	290,000	397,756	687,756	687,756
2031	305,000	378,906	683,906	683,906
2032	320,000	366,706	686,706	686,706
2033	340,000	353,906	693,906	693,906
2034	355,000	340,306	695,306	695,306
2035	375,000	326,106	701,106	701,106
2036	390,000	311,106	701,106	701,106
2037	410,000	295,506	705,506	705,506
2038	430,000	279,106	709,106	709,106
2039	450,000	261,906	711,906	711,906
2040	475,000	243,906	718,906	718,906
2041	500,000	224,906	724,906	724,906
2042	525,000	204,906	729,906	729,906
2043	550,000	183,906	733,906	733,906
2044	580,000	161,906	741,906	741,906
2045	605,000	137,981	742,981	742,981
2046	635,000	113,025	748,025	748,025
2047	670,000	86,831	756,831	756,831
2048	700,000	59,194	759,194	759,194
2049	735,000	30,319	765,319	765,319
<b>Total</b>	<b>\$ 10,885,000</b>	<b>\$ 7,012,036</b>	<b>\$ 17,897,036</b>	<b>\$ 17,897,036</b>
Average Annual Debt Service Requirements (2025-2049).....				\$715,881
Maximum Annual Debt Service Requirements (2049).....				\$765,319

## LEGAL MATTERS

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal 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.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT—General," "UTILITY AGREEMENT," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

McCall, Parkhurst & Horton L.L.P., Houston, Texas ("Disclosure Counsel") serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, 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 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 Preliminary Official Statement, as it may be supplemented or amended through the date of sale.

### **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 no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

## TAX MATTERS

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

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax 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.

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

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

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

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

## **Tax Accounting Treatment of Original Issue Discount Bonds**

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

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

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

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

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

## **Not Qualified Tax-Exempt Obligations**

The Bonds have not been designated as “qualified tax-exempt obligations” for financial institutions.

## **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 interest cost, which bid was tendered by SAMCO Capital Markets, Inc., (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of 97.0076% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.338447% as calculated pursuant to Chapter 1204 of the Texas Government Code.

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any 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 that stabilize or maintain the market prices of the Bonds at levels above those that 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 a 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 offer and sale of 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**

The District has not applied for an underlying investment grade rating nor is it expected that the District would have been successful if such application had been made.

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

The financial data and other information contained in this Official Statement has been obtained primarily from the District’s records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

## **Financial Advisor**

Post Oak Municipal Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Post Oak Municipal Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” – Developers, Kimley-Horn and Associates, and Jones-Heroy & Associates, Inc., (“Engineer”), and Records of the District (“Records”); “THE DEVELOPERS AND MAJOR LANDOWNER” – Developers; “WATER AND WASTEWATER SYSTEM” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT (UNAUDITED)” – Harris Central Appraisal District and Utility Tax Service, LLC, Tax Assessor/Collector; “ESTIMATED OVERLAPPING DEBT STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” – Utility Tax Service, LLC; “MANAGEMENT” – Records; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS,” “TAX PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS” - Allen Boone Humphries Robinson LLP.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

## **Consultants**

In approving this Official Statement, the District has relied upon the following consultants.

**Engineer:** The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled “THE DISTRICT,” “THE ROAD SYSTEM” and “WATER AND WASTEWATER SYSTEM” has been provided by Kimley-Horn and Associates, Inc., and Jones-Heroy & Associates, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering

**Appraisal District:** The information contained in this Official Statement relating to the 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 the District.

**Tax Assessor/Collector:** The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuation, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Services, LLC and is included herein in reliance upon the authority of such entity as experts in assessing and collecting taxes.

**Auditor:** As required by the Texas Water Code, the District retains an independent accountant to audit the District’s financial statements annually, which audited financial statements are filed with the Commission. The District’s financial statements for the fiscal year ended May 31, 2024, have been audited by McCall Gibson Swedlund Barfoot PPLC. See “APPENDIX A” for a copy of the District’s May 31, 2024, audited financial statements.

**Bookkeeper:** The information related to “unaudited” summary of the District’s General Fund as it appears in “OPERATING STATEMENT” has been provided by District Data Services, LLC and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of special districts.

## **Updating the 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 on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

### **Certification of Official Statement**

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the Registered 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports**

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB.

In addition, the District has agreed to provide information with respect to the Developers, any person or entity to whom the Developers voluntarily assign (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the Developers and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The financial information and operating data which will be provided with respect to the District is included in "FINANCIAL STATEMENT (UNAUDITED)", "TAX DATA", and in "APPENDIX A" (Independent Auditor's Report and Financial Statements) and with respect to the Developers is found in "TAX DATA – Principal Taxpayers." The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending on or after 2025. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements



for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year ends May 31. Accordingly, it must provide updated information by November 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 within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, 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 the federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified 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 Registered Owner's or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or

interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance with Prior Undertakings**

This is the District's first issuance of bonds; therefore, the District has not previously entered into a continuing disclosure agreement made in accordance with SEC Rule 15c2-12.

**MISCELLANEOUS**

All estimates, statements and assumptions in this Official Statement and the 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 statements will be realized.

This Official Statement was approved by the Board of Directors of Tomball Business Improvement District No. 1, as of the date shown on the cover page.

/s/ Michael Harney  
President, Board of Directors  
Tomball Business Improvement District No. 1

ATTEST:

/s/ Jorge Guerra Jr.  
Secretary, Board of Directors  
Tomball Business Improvement District No. 1

**AERIAL PHOTOGRAPH**  
(Approximate boundaries of the District as of September 2024)



## **PHOTOGRAPHS**

The following photographs were taken in the District in September 2024, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.













**APPENDIX A**

**Independent Auditor's Report and Financial Statements for the fiscal year ended May 31, 2024**

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**MAY 31, 2024**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants

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**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Tomball Business Improvement District No. 1  
Harris County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Tomball Business Improvement District No. 1 (the "District") as of and for the year ended May 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 major fund of the District as of May 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  
Tomball Business Improvement District No. 1

### **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 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

September 12, 2024

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2024**

Management’s discussion and analysis of Tomball Business Improvement District No. 1’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended May 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) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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 all of the District’s assets, liabilities, and, if applicable, deferred inflows and outflows of resources 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 as a whole 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 one governmental fund type. The General Fund accounts for property tax revenues, developer advances, professional fees, administrative costs and capital improvements.



**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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 General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,064,681 as of May 31, 2024. With the first audit, the District is not presenting comparable prior-year columns in the various comparisons and analysis. In the future years, when prior-year information is available on a comparable basis, a comparable analysis of government-wide changes in net position will be presented.

The following is a summary of government-wide changes in net position as of May 31, 2024:

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2024**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of the Statement of Net Position
	2024
Current and Other Assets	\$ 948,997
Capital Assets (Net of Accumulated Depreciation)	1,819,334
Total Assets	\$ 2,768,331
Due to Developer	\$ 3,809,217
Other Liabilities	23,795
Total Liabilities	\$ 3,833,012
Net Position:	
Net Investment in Capital Assets	\$ (1,864,883)
Unrestricted	800,202
Total Net Position	\$ (1,064,681)

The following table provides a summary of the District's operations for the year ended May 31, 2024.

	Summary of the Statement of Activities
	2024
Revenues:	
Property Tax Revenues	\$ 938,953
Other Revenues	1,262
Total Revenues	\$ 940,215
Expenses for Services	1,940,955
Change in Net Position	\$ (1,000,740)
Net Position, Beginning of Year	(63,941)
Net Position, End of Year	\$ (1,064,681)

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND**

The District's General Fund fund balance as of May 31, 2024, was \$921,843, an increase of \$910,784 from the prior year, which was primarily due to property revenues and developer advances exceeding operating costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$936,856 more than budgeted revenues and actual expenditures were \$25,568 less than budgeted expenditures. Developer advances of \$50,000 were \$51,640 less than budgeted. This resulted in a positive budget variance of \$910,784. See the budget to actual comparison for further information.

**CAPITAL ASSETS**

The District is located within the City of Tomball, Texas (the "City"). In accordance with a Utility Agreement with the City, all water, wastewater, and detention facilities are conveyed to the City once constructed and placed in service. The City is responsible for the operation and maintenance of the facilities. The District will not convey, and the City will not accept, storm water detention facilities or park and recreational facilities.

The City accepts ownership and maintenance responsibility for roadways within the District. The District is responsible for the maintenance of certain detention facilities. As of May 31, 2024, the District has recorded detention facilities, net of accumulated depreciation, in the amount of \$1,819,334.

**LONG-TERM DEBT ACTIVITY**

The District does not have any long-term bond debt as of May 31, 2024. The District has recorded an amount due to developers of \$3,809,217 for operating and capital advances.

**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 Tomball Business Improvement District No. 1, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**MAY 31, 2024**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 945,638	\$	\$ 945,638
Property Taxes Receivable	3,359		3,359
Capital Assets (Net of Accumulated Depreciation)		1,819,334	1,819,334
<b>TOTAL ASSETS</b>	<b>\$ 948,997</b>	<b>\$ 1,819,334</b>	<b>\$ 2,768,331</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 23,795	\$	\$ 23,795
Due to Developer		3,809,217	3,809,217
<b>TOTAL LIABILITIES</b>	<b>\$ 23,795</b>	<b>\$ 3,809,217</b>	<b>\$ 3,833,012</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 3,359	\$ (3,359)	\$ -0-
<b>FUND BALANCE</b>			
Unassigned	\$ 921,843	\$ (921,843)	\$ -0-
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 948,997</b>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ (1,864,883)	\$ (1,864,883)
Unrestricted		800,202	800,202
<b>TOTAL NET POSITION</b>		<b>\$ (1,064,681)</b>	<b>\$ (1,064,681)</b>

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

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**MAY 31, 2024**

Total Fund Balance - Governmental Fund	\$	921,843
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		1,819,334
<p>Deferred inflows of resources related to property tax revenues for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		3,359
<p>Developer liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		<u>(3,809,217)</u>
Total Net Position - Governmental Activities	\$	<u>(1,064,681)</u>

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

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED MAY 31, 2024**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Property Tax Revenues	\$ 935,594	\$ 3,359	\$ 938,953
Investment Revenues	1,252		1,252
Miscellaneous Revenues	10		10
<b>TOTAL REVENUES</b>	<u>\$ 936,856</u>	<u>\$ 3,359</u>	<u>\$ 940,215</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 44,964	\$	\$ 44,964
Contracted Services	16,326		16,326
Repairs and Maintenance	11,718		11,718
Depreciation		100,183	100,183
Other	3,064		3,064
Conveyance of Assets		1,764,700	1,764,700
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 76,072</u>	<u>\$ 1,864,883</u>	<u>\$ 1,940,955</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<u>\$ 860,784</u>	<u>\$ (1,861,524)</u>	<u>\$ (1,000,740)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	\$ 50,000	\$ (50,000)	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	\$ 910,784	\$ (910,784)	
<b>CHANGE IN NET POSITION</b>		(1,000,740)	(1,000,740)
<b>FUND BALANCE/NET POSITION - JUNE 1, 2023</b>	<u>11,059</u>	<u>(75,000)</u>	<u>(63,941)</u>
<b>FUND BALANCE/NET POSITION - MAY 31, 2024</b>	<u>\$ 921,843</u>	<u>\$ (1,986,524)</u>	<u>\$ (1,064,681)</u>

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

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2024**

Net Change in Fund Balance - Governmental Fund	\$	910,784
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		3,359
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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.		(100,183)
--	--	-----------

Governmental funds report capital expenditures as expenditures in the period expended. However, in the Statement of Net Position, capital expenditures for assets to be conveyed to the City of Houston upon completion are increased by new expenditures and the Statement of Activities is not affected.		(1,764,700)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		<u>(50,000)</u>
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Change in Net Position - Governmental Activities	\$	<u><u>(1,000,740)</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 1. CREATION OF DISTRICT**

Tomball Business Improvement District No. 1, (the “District”) was created effective August 12, 2022, by the Texas Commission on Environmental Quality (the “Commission”) under the terms and conditions of Section 59, Article XVI and, Section 52, Article III of the Texas Constitution, Chapter 375 of the Texas Local Government Code, and Chapter 49 of the Texas Water Code operating pursuant to Chapters 49 of the Texas Water Code. The District operates in accordance with Chapters 49 of the Texas Water Code, and Chapter 375 of the Texas Local Government Code, as amended. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on August 18, 2022.

**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 Texas Commission on Environmental Quality.

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately appointed 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.

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”).

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:



**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- 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.

Fund Financial Statements

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

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for property tax revenues, developer advances, professional fees, administrative costs and capital improvements.

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.

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 Fund 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.

Capital Assets

Capital assets retained by the District for ownership and maintenance are reported in the government-wide Statement of Net Position. All 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. Certain assets are capitalized if they have an original cost greater than \$5,000 and a useful life over 2 years. Detention facilities owned and maintained by the District will be depreciated over 45 years.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Intangible Assets

The District is located within the City of Tomball, Texas. In accordance with a Utility Agreement with the City, all water, wastewater, and drainage facilities are conveyed to the City once constructed and placed in service. The City operates and maintains the facilities which are recorded as intangible assets by the District. Intangible assets are not amortized since the contract does not have a fixed term. Harris County accepts ownership and maintenance responsibility for roadways within the District. The District will not convey, and the City will not accept, storm water detention facilities or park and recreational facilities.

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 fiscal year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget 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 to be wages subject to federal income tax withholding for payroll tax 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.

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. The District's fund balances 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. The District does not have any nonspendable fund balances.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*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. The District does not have any restricted fund balances.

*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 or resolutions 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.

**NOTE 3. BONDS VOTED**

As of May 31, 2024, the District had authorized but unissued bonds in the amount of \$156,671,000 for the purchase or construction of water, sewer, and drainage facilities and \$78,335,500 for the refunding of bonds issued for same, \$42,161,000 for the purchase or construction of parks and recreational facilities and \$21,080,500 for the refunding of bonds issued for same, and \$17,980,000 for the purchase or construction of road facilities and \$8,990,000 for the refunding of bonds for same.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**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 Authority 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 \$945,638 and the bank balance was \$963,485. The District was not exposed to custodial credit risk at year end.

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.

As of May 31, 2024, the District did not have any investments.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 5. MAINTENANCE TAX**

On November 8, 2022, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the year ended May 31, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.615 per \$100 of assessed valuation, which resulted in a tax levy of \$938,953 on the adjusted taxable valuation of \$152,675,343 for the 2023 tax year. This maintenance tax is deposited to the General Fund and used to pay the District’s operating expenditures.

On November 8, 2022, the voters of the District approved the levy and collection of a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. The District did not levy a road maintenance tax during the current fiscal year.

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.

**NOTE 6. CAPITAL ASSETS**

The City accepts ownership and maintenance responsibility for roadways within the District, while certain detention facilities are owned and maintained by the District. The District is located within the City of Tomball, Texas. In accordance with a Utility Agreement with the City, all water, wastewater, and drainage facilities are conveyed to the City once constructed and placed in service. The City operates and maintains the facilities. The District will not convey, and the City will not accept, storm water detention facilities or park and recreational facilities. These assets, along with impact fees paid to the City, are recorded as intangible assets. Assets activity for the current fiscal year is as follows:

	June 1, 2023	Increases	Decreases	May 31, 2024
<b>Capital Assets Subject to Depreciation</b>				
Detention Facilities	\$ - 0 -	\$ 1,919,517	\$ - 0 -	\$ 1,919,517
<b>Accumulated Depreciation</b>				
Detention Facilities	\$ - 0 -	\$ 100,183	\$ - 0 -	\$ 100,183
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	\$ - 0 -	\$ 1,819,334	\$ - 0 -	\$ 1,819,334

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 7. UTILITY AGREEMENT**

Effective August 3, 2023, the Developer assigned the Utility Agreement dated November 29, 2021, with the City of Tomball, Texas (the “City”) to the District. The City shall provide the District with water and wastewater capacity requirements as needed and required by the District. As water, wastewater and drainage facilities (the “Facilities”) are constructed, the District shall convey the Facilities to the City. The City will operate and maintain the Facilities. The District shall not convey detention and park and recreation facilities.

**NOTE 8. INTERLOCAL AGREEMENT**

In 2021, the City created Tax Increment Reinvestment Zone No. 3, City of Tomball, Texas (the “TIRZ”) encompassing approximately 240 acres, including all of the acreage in the District for purposes of funding certain infrastructure costs for development in the TIRZ. The City (the “Participant”) has agreed to participate in the TIRZ and to deposit in the TIRZ account at the City an annual payment (the “Rebate”) equal to 75%, of the tax revenue the Participants collect which is attributable to the increase in taxable value of real property within the TIRZ, including the District from a base date of January 1, 2022 (the “Captured Appraised Value”). Tax revenue collected on personal property is not included in the Rebate. The TIRZ terminates on December 31, 2051.

Pursuant to an interlocal agreement among the District, the City, and the TIRZ (the “Interlocal Agreement”), the TIRZ has agreed to annually transfer to the District the amount of Rebate attributable to the property in the District less an administrative fee (the TIRZ Contract Revenue Payments”) for the payment of debt service on the Bonds.

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MAY 31, 2024**

**NOTE 10. UNREIMBURSED COSTS**

The District has executed a development financing agreement with a Developer within the District. The agreement calls for the Developer to fund operating costs of the District. As of the current fiscal year-end, the Developer has advanced a total of \$3,684,217 for construction and engineering costs and \$125,000 to cover operating deficits. This amount has been recorded as a liability in the Statement of Net Position. The following table summarizes the current year activity related to unreimbursed developer costs for operating advances:

Due to Developer, beginning of year	\$ 75,000
Additions	<u>3,734,217</u>
Due to Developer, end of year	<u>\$ 3,809,217</u>

**NOTE 11. PENDING BOND SALE**

Subsequent to year end, on August 6, 2024, the Commission approved the sale of the Unlimited Tax and Contract Revenue Bonds, Series 2024 in the amount of \$11,500,000. Proceeds of the bonds will be used to reimburse the Developer the costs associated with the construction and engineering of the lift station and force main, impact fees and costs of land; creation expenses; and certain operating expenses. Proceeds will also also used to pay certain issuance costs of the bonds. As of the date of this report, the bonds have not been sold.



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**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MAY 31, 2024**

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Tax Revenues	\$	\$ 935,594	\$ 935,594
Investment Revenues		1,252	1,252
Miscellaneous Revenues		<u>10</u>	<u>10</u>
<b>TOTAL REVENUES</b>	<u>\$ -0-</u>	<u>\$ 936,856</u>	<u>\$ 936,856</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 80,000	\$ 44,964	\$ 35,036
Contracted Services	12,000	16,326	(4,326)
Repairs and Maintenance		11,718	(11,718)
Other	<u>9,640</u>	<u>3,064</u>	<u>6,576</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 101,640</u>	<u>\$ 76,072</u>	<u>\$ 25,568</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (101,640)</u>	<u>\$ 860,784</u>	<u>\$ 962,424</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	<u>\$ 101,640</u>	<u>\$ 50,000</u>	<u>\$ (51,640)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ 910,784	\$ 910,784
<b>FUND BALANCE - JUNE 1, 2023</b>	<u>11,059</u>	<u>11,059</u>	
<b>FUND BALANCE - MAY 31, 2024</b>	<u>\$ 11,059</u>	<u>\$ 921,843</u>	<u>\$ 910,784</u>

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**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**MAY 31, 2024**

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED MAY 31, 2024**

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

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

Note: The City of Fort Worth, Texas is the water and sewer service provider for residents of the District.

**2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE**

**3. WATER CONSUMPTION: NOT APPLICABLE**

**4. STANDBY FEES: NOT APPLICABLE**

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes   X   No       

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely   X   Partly        Not at all       

City in which District is located:

City of Tomball, Texas

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

Entirely        Partly        Not at all   X  

Are Board Members appointed by an office outside the District?

Yes   X   No

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED MAY 31, 2024**

PROFESSIONAL FEES:	
Engineering	\$ 7,195
Legal	37,769
TOTAL PROFESSIONAL FEES	<u>\$ 44,964</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 231
Bookkeeping	9,995
Tax Collector	6,100
TOTAL CONTRACTED SERVICES	<u>\$ 16,326</u>
REPAIRS AND MAINTENANCE	<u>\$ 11,718</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 50
Legal Notices	500
Office Supplies and Postage	1,072
Travel and Meetings	395
Meetings and Other	1,047
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 3,064</u>
TOTAL EXPENDITURES	<u>\$ 76,072</u>

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MAY 31, 2024**

	Maintenance Taxes	
ASSESSMENTS RECEIVABLE - JUNE 1, 2023	\$ -0-	
Adjustments to Beginning Balance	_____	\$ -0-
Original 2023 Assessment Roll	\$ 938,953	
Adjustment to 2023 Assessment Roll	_____	938,953
TOTAL TO BE ACCOUNTED FOR		\$ 938,953
ASSESSMENT COLLECTIONS:		
Prior Years	\$ -0-	
Current Year	935,594	\$ 935,594
ASSESSMENTS RECEIVABLE - MAY 31, 2024		\$ 3,359



**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED MAY 31, 2024**

	2023
PROPERTY VALUATIONS:	
Land	\$ 34,938,482
Improvements	119,300,415
Exemptions	(1,563,554)
TOTAL PROPERTY VALUATIONS	\$ 152,675,343
ASSESSMENT RATE PER \$100 VALUATION:	
Maintenance	\$ 0.615
ADJUSTED TAX LEVY*	\$ 938,953
PERCENTAGE OF ASSESSMENTS COLLECTED TO ASSESSMENTS LEVIED	99.64 %

\* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

\*\* Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 8, 2022.

\*\* Maintenance Tax – Road Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on November 8, 2022.

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - ONE YEAR**

	Amounts	Percentage of Total Revenue
	2024	2024
<b>REVENUES</b>		
Property Tax Revenues	\$ 935,594	99.9 %
Investment Revenues	1,252	0.1
Miscellaneous Revenues	10	
<b>TOTAL REVENUES</b>	<b>\$ 936,856</b>	<b>100.0 %</b>
 <b>EXPENDITURES</b>		
Service Operations:		
Professional Fees	\$ 44,964	4.8 %
Contracted Services	16,326	1.7
Repairs and Maintenance	11,718	1.3
Other	3,064	0.3
<b>TOTAL EXPENDITURES</b>	<b>\$ 76,072</b>	<b>8.1 %</b>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 <b>\$ 860,784</b>	 <b>91.9 %</b>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Developer Advances	\$ 50,000	
 <b>NET CHANGE IN FUND BALANCE</b>	 <b>\$ 910,784</b>	
 <b>BEGINNING FUND BALANCE</b>	 <b>11,059</b>	
 <b>ENDING FUND BALANCE</b>	 <b>\$ 921,843</b>	

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MAY 31, 2024**

District Mailing Address - Tomball Business Improvement District No. 1  
c/o Allen Boone Humphries Robinson LLP  
Phoenix Tower  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

<b>Board Members</b>	Term of Office (Appointed)	Fees of office for the year ended <u>May 31, 2024</u>	Expense reimbursements for the year ended <u>May 31, 2024</u>	<u>Position</u>
Michael Harney	08/22 06/26 (Appointed)	\$ -0-	\$ 52	President
Ernesto Alfaro	11/22 06/26 (Appointed)	\$ -0-	\$ -0-	Vice President
Jorge Guerra, Jr.	08/22 06/24 (Appointed)	\$ -0-	\$ 140	Secretary
Richard Jenks	08/23 06/26 (Appointed)	\$ -0-	\$ -0-	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 developer or with any of the District’s consultants.

Submission date of most recent District Registration Form: August 17, 2023

**TOMBALL BUSINESS IMPROVEMENT DISTRICT NO. 1**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**MAY 31, 2024**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	08/18/22	\$ 37,769	Attorney
McCall Gibson Swedlund Barfoot PLLC	08/08/24	\$ -0-	Auditor
District Data Services, Inc.	08/18/22	\$ 9,995	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/09/23	\$ -0-	Delinquent Tax Attorney
Kimley-Horn & Associates	08/18/22	\$ 7,195	Engineer
Post Oak Municipal Advisors LLC	08/18/22	\$ -0-	Financial Advisors
Utility Tax Service, LLC	02/09/23	\$ 7,081	Tax Assessor/ Collector
Stephanie Viator	11/21/22	\$ -0-	Investment Officer