

OFFICIAL STATEMENT DATED JANUARY 23, 2025

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS-MONTGOMERY COUNTIES MUNICIPAL UTILITY DISTRICT NO. 386, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER “LEGAL MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE NOT BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P “AA” (stable outlook)
See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

HARRIS-MONTGOMERY COUNTIES MUNICIPAL UTILITY DISTRICT NO. 386
(A political subdivision of the State of Texas located within Harris and Montgomery Counties)
\$4,250,000
ENCLAVE AT THE WOODLANDS DEFINED AREA
UNLIMITED TAX BONDS
SERIES 2025

Dated Date: February 1, 2025

Due: September 1, as shown on the inside cover

Interest Accrual Date: Date of Delivery

The \$4,250,000 Enclave at the Woodlands Defined Area, Unlimited Tax Bonds, Series 2025 (the “Bonds”) are special limited obligations issued by Harris-Montgomery Counties Municipal Utility District No. 386 (the “District”). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds accrues from the initial date of delivery of the Bonds to the Underwriter (hereafter defined) (expected to be on or about February 27, 2025) (the “Date of Delivery”), and is initially payable on September 1, 2025. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each March 1 and September 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown on the cover page.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under “BOOK-ENTRY-ONLY SYSTEM”) of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the “Paying Agent/Registrar”), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY-ONLY SYSTEM.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” herein.

MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
\$ 85,000	2026	41456P RB5	6.625 %	3.20 %	\$ 160,000	2038 (a)	41456P RP4	4.125 %	4.00 %
90,000	2027	41456P RC3	6.625	3.20	170,000	2039 (a)	41456P RQ2	4.125	4.10
95,000	2028	41456P RD1	6.625	3.25	***	***	***	***	***
100,000	2029	41456P RE9	6.625	3.30	195,000	2042 (a)	41456P RT6	4.125	4.26
105,000	2030	41456P RF6	6.625	3.35	205,000	2043 (a)	41456P RU3	4.125	4.30
110,000	2031	41456P RG4	6.625	3.40	215,000	2044 (a)	41456P RV1	4.125	4.33
115,000	2032 (a)	41456P RH2	6.625	3.45	230,000	2045 (a)	41456P RW9	4.125	4.36
125,000	2033 (a)	41456P RJ8	6.500	3.50	240,000	2046 (a)	41456P RX7	4.125	4.38
130,000	2034 (a)	41456P RK5	4.125	3.65	250,000	2047 (a)	41456P RY5	4.125	4.40
135,000	2035 (a)	41456P RL3	4.125	3.75	265,000	2048 (a)	41456P RZ2	4.125	4.41
145,000	2036 (a)	41456P RM1	4.125	3.85	280,000	2049 (a)	41456P SA6	4.125	4.42
150,000	2037 (a)	41456P RN9	4.125	3.95	295,000	2050 (a)	41456P SB4	4.250	4.43

\$360,000 Term Bonds due September 1, 2041 (a), 41456P RS8 (b), 4.125% Interest Rate, 4.21% Yield (c)

- (a) Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- (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 Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial Reoffering Yield represents the initial offering yield to the public, which will be established by the Underwriter for offers to the public and which subsequently may be changed.

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 upon all taxable property within the Enclave at the Woodlands Defined Area (the “Defined Area”), being a defined area within the District, as further described herein. The Bonds are not secured by the proceeds of ad valorem taxes levied by the District upon taxable property that is located within the District, including the Defined Area, to pay debt service on the District’s bonds. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township, or any entity other than the District. **INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about February 27, 2025.

TABLE OF CONTENTS

MATURITY SCHEDULE	1	THE SYSTEM	26
USE OF INFORMATION IN OFFICIAL STATEMENT	3	Internal Water Distribution, Wastewater	27
SALE AND DISTRIBUTION OF THE BONDS.....	4	Collection and Storm Drainage Facilities.....	27
Award of the Bonds.....	4	100-Year Flood Plain	27
Prices and Marketability.....	4	Atlas 14	27
Securities Laws.....	4	Waterworks and Sewer System Operating Statement.....	28
OFFICIAL STATEMENT SUMMARY	5	FINANCIAL INFORMATION	
SELECTED FINANCIAL INFORMATION (UNAUDITED).....	8	CONCERNING THE DEFINED AREA (UNAUDITED).....	29
RISK FACTORS	9	Investments of the District.....	29
General	9	Outstanding Bonds	29
Flooding within the District’s Boundaries,		Defined Area Debt Service Requirements.....	30
Including Events Related to Hurricane Harvey	9	Estimated Overlapping Debt	31
Specific Flood Type Risks.....	10	Overlapping Taxes	32
Potential Effects of Oil Price Fluctuations on the Houston Area....	10	TAX DATA	33
Credit Markets and Liquidity in the Financial Markets	10	Defined Area Debt Service Tax.....	33
Competition.....	10	Defined Area Maintenance and Operations Tax.....	33
Possible Impact on Defined Area Tax Rates.....	11	District Debt Service Tax	33
Tax Collections Limitations and Foreclosure Remedies.....	11	District Maintenance and Operations Tax	33
Registered Owners’ Remedies.....	11	Defined Area Tax Exemptions	33
Bankruptcy Limitation to Registered Owners’ Rights.....	11	Tax Rate Distribution	33
Future Debt.....	12	Historical Tax Collections.....	34
Marketability of the Bonds.....	12	Tax Roll Information.....	34
Environmental and Air Quality Regulations.....	13	Principal Taxpayers.....	34
Continuing Compliance with Certain Covenants.....	14	Tax Adequacy for Debt Service	35
Risk Factors Related to the Purchase of		TAXING PROCEDURES.....	35
Municipal Bond Insurance.....	14	Property Tax Code and County-Wide Appraisal Districts.....	35
THE BONDS	15	Property Subject to Taxation by the District.....	35
General	15	General Residential Homestead Exemption	36
Description	15	Valuation of Property for Taxation.....	37
Authority for Issuance	15	District and Taxpayer Remedies.....	37
Source and Security for Payment.....	15	Agricultural, Open Space,	
Funds.....	15	Timberland, and Inventory Deferment	37
Record Date.....	16	Tax Abatement.....	37
Redemption Provisions.....	16	Levy and Collection of Taxes.....	38
Method of Payment of Principal and Interest	16	Rollback of Operation and Maintenance Tax Rate.....	38
Registration	16	District’s Rights in the Event of Tax Delinquencies.....	39
Replacement of Paying Agent/Registrar.....	17	LEGAL MATTERS	39
Legal Investment and Eligibility to		Legal Opinions.....	39
Secure Public Funds in Texas.....	17	Legal Review	40
Issuance of Additional Debt	17	Tax Exemption.....	40
Financing Fire-Fighting Activities.....	18	Not Qualified Tax-Exempt Obligations.....	40
Financing Recreational Facilities.....	18	Collateral Federal Income Tax Consequences.....	40
Financing Road Facilities	18	State, Local and Foreign Taxes	41
Annexation and Incorporation	18	Tax Accounting Treatment of Original Issue	
Consolidation	19	Discount and Premium Bonds	41
Remedies in Event of Default.....	19	NO MATERIAL ADVERSE CHANGE.....	42
Defeasance	19	NO-LITIGATION CERTIFICATE.....	42
BOOK-ENTRY-ONLY SYSTEM	20	MUNICIPAL BOND RATING	42
USE AND DISTRIBUTION OF BOND PROCEEDS	22	MUNICIPAL BOND INSURANCE.....	42
THE WOODLANDS	23	PREPARATION OF OFFICIAL STATEMENT	44
THE DISTRICT	23	Sources and Compilation of Information.....	44
General	23	Financial Advisor.....	44
Description and Location.....	23	Updating the Official Statement.....	44
District Status of Development.....	23	Certification of Official Statement	45
THE DEFINED AREA.....	24	CONTINUING DISCLOSURE OF INFORMATION	45
General	24	Annual Reports.....	45
Defined Area Status of Development	24	Specified Event Notices	45
Homebuilding.....	24	Availability of Information from the MSRB	46
THE DEVELOPER	24	Limitations and Amendments.....	46
Role of a Developer.....	24	Compliance With Prior Undertakings.....	46
Tri Pointe Homes Texas, Inc./Toll Southwest LLC.....	24	MISCELLANEOUS.....	46
MANAGEMENT OF THE DISTRICT	25	AERIAL PHOTOGRAPH OF THE DEFINED AREA	
Board of Directors	25	PHOTOGRAPHS OF THE DEFINED AREA	
District Consultants	25	APPENDIX A—AUDITOR’S REPORT AND FINANCIAL	
		STATEMENTS FOR THE YEAR ENDED	
		MARCH 31, 2024	
		APPENDIX B—SPECIMEN MUNICIPAL BOND	
		INSURANCE POLICY	

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This OFFICIAL STATEMENT 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 Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, upon payment of the costs of duplication thereof.

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 Underwriter (hereafter defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of 97.0037% of the principal amount thereof, which resulted in a net effective interest rate of 4.481920% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter 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 Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such 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 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 and the Bonds have not 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.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this OFFICIAL STATEMENT. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE DISTRICT

- Description...* The District was created pursuant to Article XVI, Section 59, Texas Constitution, by Senate Bill No. 1775, passed by the 77th Texas Legislature, Regular Session, 2001, Chapter 1381, codified as Chapter 8272, Special District Local Laws Code, as amended, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is comprised of approximately 3,714 acres and is located primarily within Harris County (approximately 3,318 acres) with a small portion (approximately 396 acres) located within Montgomery County.
- Defined Area...* On August 5, 2021, the District designated the “Enclave at the Woodlands Defined Area” (the “Defined Area”) over approximately 50.55 acres within the District pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and drainage system to serve the Defined Area. On November 2, 2021, voters within the Defined Area approved the creation of the Defined Area.
- At the November 2, 2021 election, the voters within the Defined Area, also authorized \$10,220,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements to serve the Defined Area, \$7,060,000 principal amount of unlimited tax bonds for the further purpose of refunding those bonds, the levy of an unlimited tax on taxable property within the Defined Area in payment of such bonds, and the levy of a maximum \$1.00 operation and maintenance tax on taxable property within the Defined Area for facilities within the Defined Area. Any debt issued by the District on behalf of the Defined Area will be the sole obligation of the Defined Area. The Bonds represent the District’s first issuance of unlimited tax bonds from said authorization. The District levied a maintenance tax rate of \$0.54 per \$100 of assessed valuation in the Defined Area for 2024. The District expects to levy its initial debt service tax for the Defined Area in 2025. Properties in the Defined Area are subject to a total tax rate comprised of the District’s total tax rate plus the Defined Area total tax rate. The District levied a total tax rate for 2024 in the amount of \$0.44; therefore, the total tax rate in the Defined Area for 2024 is \$0.98 per \$100 assessed valuation. See “THE DEFINED AREA.”
- Defined Area Developer...* Land in the Defined Area is being jointly developed by Tri Pointe Homes Texas, Inc. and Toll Southwest, LLC (“Tri Pointe/Toll” or the “Developer”) and consists of 148 single-family residential lots in the Defined Area known as the subdivision of Enclave at The Woodlands. See “THE DEVELOPER.”
- Location...* The District is located approximately 27 miles north of the central business district of the City of Houston, Texas and approximately 13 miles south of the City of Conroe, with portions of the District in Harris County and Montgomery County. The District is accessible via Interstate Highway 45 and Woodlands Parkway to Gosling Road, to Farm-to-Market 2978 or Kuykendahl Road. The District is located within the extraterritorial jurisdiction of the City of Houston. The Defined Area is located within the Harris County portion of the District and is bordered to the north by Rolling Oaks Country Subdivision, to the West by Kuykendahl Road and on the south and east by the Woodlands Village of Creekside Park subdivision and is within Tomball Independent School District. See “THE DISTRICT—General” and “—Description and Location.” See “THE DISTRICT,” “THE DEFINED AREA” and “AERIAL PHOTOGRAPH OF THE DEFINED AREA.”
- The Woodlands...* The District and the Defined Area are a part of an approximate 28,000-acre community known as The Woodlands. Formal opening of The Woodlands occurred in 1974. Since inception, approximately 48,995 residential units and approximately 36.3 million square feet of commercial, retail, industrial, research technology and institutional facilities have been constructed. The Woodlands currently has an estimated population of 120,000 and an estimated 2,460 employers provide employment for over 66,000 people.

<i>Defined Area Status of Development...</i>	All land in the Defined Area is being developed as the residential development of Enclave at The Woodlands consisting of 148 single-family residential lots. As of December 1, 2024, the Defined Area contained 129 completed homes (126 occupied), 16 homes under construction or in a builder’s name, and 3 vacant developed lots. See “THE DEFINED AREA—Defined Area Status of Development.”
<i>District Status of Development...</i>	Of the approximate 3,714 acres of land within the District, approximately 2,539 acres have been developed as single-family subdivisions consisting of 6,325 developed lots (including approximately 50 acres and 148 lots in the Defined Area). Additionally, development in the District includes approximately 165 acres for commercial use and 2 multi-family apartment complexes on approximately 28 acres consisting of 479 units. Tomball Independent School District owns approximately 40 acres where three elementary schools have been completed and approximately 39 acres where a junior high school has been constructed. Lone Star College System owns an 11-acre site, where campus facilities have been completed. All of the school and campus facilities are exempt from ad valorem taxation. Additionally, approximately 19 acres consists of two churches and a fire station, all of which are exempt from ad valorem taxation. The remaining acreage within the District is comprised of approximately 23 undeveloped but developable acres, approximately 786 undevelopable acres, and 64 acres of parks and recreation. See “THE DISTRICT—District Status of Development.”
<i>Defined Area Builders...</i>	Tri Pointe Homes and Toll Brothers are the sole homebuilders in the Defined Area. See “THE DEFINED AREA—Homebuilding.”
<i>Payment Record...</i>	The Bonds represent the District’s first issuance of defined area unlimited tax bonds that are secured by the proceeds of taxes levied upon taxable property located solely within the Defined Area. Twelve (12) months of interest will be capitalized from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” All funds generated by the Defined Area 2024 maintenance tax rate are expected to be transferred from the Defined Area’s Maintenance Tax Fund to the Defined Area’s Debt Service Fund, once such fund has been created. See “THE BONDS—Funds.” The District has never defaulted in the payment of principal and interest on its other outstanding bonds.

THE BONDS

<i>Description...</i>	The \$4,250,000 Enclave at the Woodlands Defined Area Unlimited Tax Bonds, Series 2025 (the “Bonds”) are being issued as fully registered bonds pursuant to an order (the “Bond Order”) authorizing the issuance of the Bonds adopted by the District’s Board of Directors. The Bonds are scheduled to mature serially on September 1 in the years 2026 through 2039, both inclusive, and in the years 2042 through 2050, both inclusive, and as term bonds maturing on September 1, 2041 (the “Term Bonds”). The Bonds will be issued in book-entry form only in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable on September 1, 2025. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each March 1 and September 1 until maturity or prior redemption. See “THE BONDS.”
<i>Book-Entry-Only System...</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each series and maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on September 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to finance water, sanitary sewer and drainage facilities serving the Defined Area as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds; to pay for interest on funds advanced by the Developer on behalf of the Defined Area within the District; and to pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance...</i>	The Bonds are the first series of bonds issued out of an aggregate of \$10,220,000 principal amount of defined area unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities in the Defined Area. The Bonds are issued by the District pursuant to said voter authorization and to the terms and provisions of the Bond Order; an order of the Texas Commission on Environmental Quality (the “TCEQ”), Article XVI, Section 59 of the Texas Constitution; and the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt,” and “RISK FACTORS—Future Debt.”
<i>Source of Payment...</i>	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 Defined Area within the District. See “TAXING PROCEDURES.” The Bonds are not secured by the proceeds of ad valorem taxes levied by the District upon taxable property that is located within the District, including the Defined Area, to pay debt service on the District’s bonds. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township, or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
<i>Municipal Bond Rating...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a Bond Insurance Policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”) for the Bonds. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the Defined Area would have received an investment grade rating if application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE,” and “MUNICIPAL BOND RATING” and “APPENDIX B.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The District has not designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Not Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Schwartz, Page & Harding, L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants” and “LEGAL MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT—District Consultants.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2024 Certified Taxable Assessed Valuation of the Defined Area	\$55,689,590	(a)
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area.....	\$99,912,112	(b)
Gross Direct Debt Outstanding of the Defined Area (including the Bonds)	\$4,250,000	(c)
Estimated Overlapping Debt of the Defined Area.....	<u>5,172,161</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$9,422,161	
Ratios of Gross Direct Debt to:		
2024 Certified Taxable Assessed Valuation of the Defined Area.....	7.63%	
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area	4.25%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2024 Certified Taxable Assessed Valuation of the Defined Area.....	16.92%	
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area	9.43%	
Funds Available for Debt Service		
Defined Area Maintenance Tax Fund Balance as of November 30, 2024	\$87,764	(e)
Capitalized Interest from proceeds of the Bonds (Twelve (12) months)	<u>\$196,150</u>	(f)
Total Funds Available for Debt Service.....	\$283,914	
District 2024 Total Tax Rate	\$0.44	
Defined Area 2024 Tax Rate (All Maintenance and Operations).....	<u>\$0.54</u>	(e)
Total Tax Rate in the Defined Area	\$0.98	
Average Annual Debt Service Requirement (2025-2050).....	\$276,632	(g)
Maximum Annual Debt Service Requirement (2050).....	\$307,538	(g)
Tax Rate Required to Pay Average Annual Debt Service (2025-2050) at a 90% Collection Rate		
2024 Certified Taxable Assessed Valuation of the Defined Area.....	\$0.56	(h)
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area	\$0.31	(h)
Tax Rate Required to Pay Maximum Annual Debt Service (2050) at a 90% Collection Rate		
2024 Certified Taxable Assessed Valuation of the Defined Area.....	\$0.62	(h)
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area	\$0.35	(h)
Status of Development as of December 1, 2024 (i):		
Total Developed Lots.....	148	
Completed Homes (126 occupied).....	129	
Homes under construction or in the name of the builder	16	
Lots available for construction.....	3	
Estimated population	441	(j)

- (a) As certified by the Harris Central Appraisal District (“HCAD”). See “TAXING PROCEDURES.”
- (b) As provided by HCAD. Such amount is only an estimate of the taxable assessed value on September 15, 2024, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2024 and September 15, 2024 will be certified as of January 1, 2025. See “TAXING PROCEDURES.”
- (c) After the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED).”
- (d) See “FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)—Estimated Overlapping Debt,” and “—Overlapping Taxes.”
- (e) Such funds and the funds generated by the Defined Area 2024 maintenance tax rate are expected to be transferred from the Defined Area’s Maintenance Tax Fund to the Defined Area’s Debt Service Fund, once such fund has been created. Neither Texas Law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund. The District expects to levy its initial debt service tax for the Defined Area in 2025. See “THE BONDS—Funds” and “FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)—Defined Area Debt Service Requirements.”
- (f) The District will capitalize twelve (12) months of interest on the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (g) See “FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)—Defined Area Debt Service Requirements.”
- (h) See “TAX DATA—Tax Adequacy for Debt Service.”
- (i) See “THE DISTRICT—Status of Development,” and “THE DEFINED AREA—Defined Area Status of Development.”
- (j) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

HARRIS-MONTGOMERY COUNTIES MUNICIPAL UTILITY DISTRICT NO. 386 *(A political subdivision of the State of Texas located within Harris and Montgomery Counties)*

\$4,250,000

ENCLAVE AT THE WOODLANDS DEFINED AREA UNLIMITED TAX BONDS **SERIES 2025**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris-Montgomery Counties Municipal Utility District No. 386 (the “District”) of its \$4,250,000 Enclave at the Woodlands Defined Area Unlimited Tax Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to Article XVI Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”) authorizing the sale of the Bonds, an election held within the District for the Defined Area, and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Tri Pointe Homes Texas, Inc./Toll Southwest LLC (“Tri Pointe/Toll” or the “Developer”), and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of duplication costs therefor.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on all taxable property within the Defined Area within the District in an amount sufficient to service the Defined Area’s bonded debt or, in the event of foreclosure, on the value of the taxable property in the Defined Area and the taxes levied by the District and other taxing authorities upon the property within the Defined Area. See “THE BONDS—Source and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the Defined Area within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

Flooding within the District’s Boundaries, Including Events Related to Hurricane Harvey

2016 Weather Event: According to the Engineer, the District was impacted by flood waters resulting from significant rainfall events in the Spring Creek watershed on May 26 and 27, 2016. According to flood gauge data published by the Harris County Flood Control District, the flood water elevations in Spring Creek at Kuykendahl Road within the District were approximately three (3) feet six (6) inches higher than the 100-Year Flood Elevation defined by the Federal Emergency Management Agency Flood Insurance Rate Maps. The flood water caused street flooding within the District and the temporary closure of Kuykendahl Road and Gosling Road, the major north-south thoroughfares through the District, as well as Creekside Forest Drive and Creekside Green Drive, the local east-west collector roadways serving the District. These roadways were reopened on May 29, 2016.

The flood waters also caused the failure of Water Plant No. 2 and Sanitary Sewer Lift Station No. 2, both operated by HCMUD 387 and used to provide service to the District. See “THE SYSTEM—Harris County.” These facilities were repaired and in full operation on or before June 8, 2016. Water and wastewater service in the District was maintained during and after the flood event.

According to the HHC, the flood waters caused structural flooding of approximately 6 of 4,557 completed homes at that time during this 2016 weather event within the District.

2017 Hurricane Harvey: The Houston area, including Montgomery County, sustained widespread rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 70 miles from the Texas Gulf Coast. Accordingly, like other coastal areas, land located in the District is susceptible to hurricanes, tropical storms, and other tropical disturbances.

According to the Engineer and Operator, flood waters during the Hurricane Harvey event caused the failure of Water Plant No. 2 and Sanitary Sewer Lift Station No. 4 operated by HCMUD 387. See “THE SYSTEM—Harris County.” Repairs to Water Plant No. 2 and Lift Station No. 4 by HCMUD 387 were completed in the fourth quarter of 2017. Equipment at Lift Stations Nos. 1 and 5 and the Wastewater Treatment Plant was also damaged by the flood waters with repairs completed soon after event. Water and wastewater service in the District was maintained during and after the flood event. According to the HHC and the Operator, the flood waters caused structural flooding of approximately 300 of 4,557 completed homes during Hurricane Harvey event within the District.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected, including within the Defined Area.

Specific Flood Type Risks

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

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

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, including the Defined Area.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers 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 Defined Area. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the Defined Area. In addition, since the District is located approximately 27 miles from the central downtown business district of the City of Houston, the success of development within the Defined Area and growth of Defined Area taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City of Houston and the nation could adversely affect development and home-building plans in the Defined Area and restrain the growth or reduce the value of the Defined Area’s property tax base.

Competition

The demand for and construction of single-family homes in the Defined Area, which is 27 miles from downtown Houston, could be affected by competition from other residential and commercial developments, including other residential developments located in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the Defined Area.

The competitive position of builders in the sale of single-family residential houses within the Defined Area is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the Defined Area and tax revenues to be received by the Defined Area. The District can give no assurance that building and marketing programs in the Defined Area by the Developer and builders will be implemented or, if implemented, will be successful.

Possible Impact on Defined Area Tax Rates

Assuming no further development, the value of the land and improvements currently within the Defined Area will be the major determinant of the ability or willingness of owners of property within the Defined Area to pay their taxes. The 2024 Certified Taxable Assessed Valuation of the Defined Area is \$55,689,590. After issuance of the Bonds, the maximum annual debt service requirement will be \$307,538 (2050), and the average annual debt service requirement will be \$276,632 (2025-2050 inclusive). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation of the Defined Area, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.62 and \$0.56 per \$100 of taxable assessed valuation at a ninety percent (90%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements, respectively. See “FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)—Defined Area Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

The Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area is \$99,912,112, which reduces the above tax calculations to \$0.35 and \$0.31 per \$100 of taxable assessed valuation, respectively. No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area will be the amounts finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners’ Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners’ Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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 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.

Future Debt

The Defined Area: The Defined Area's voters have authorized the issuance of a total of \$10,220,000 in principal amount of unlimited tax bonds for constructing or acquiring water, sanitary sewer and drainage facilities within the Defined Area. After issuance of the Bonds, \$5,970,000 in principal amount of such unlimited tax bonds for water, sanitary sewer and drainage facilities within the Defined Area will remain authorized but unissued. In addition, the Defined Area's voters have also authorized a total of \$7,060,000 in principal amount of unlimited tax bonds for the purposes of refunding outstanding bonds of the Defined Area, all of which principal amount for such purposes remains authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The Defined Area's voters could authorize additional amounts. The issuance of additional bonds for water, sanitary sewer, drainage and recreational facilities within the Defined Area is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The issuance of additional obligations may increase the Defined Area's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

According to Tri Pointe/Toll, after issuance of the Bonds, the District will owe Tri Pointe/Toll approximately \$3,350,000 plus interest for construction costs related to water, sanitary sewer and drainage facilities within the Defined Area. Pursuant to an agreement between Tri Pointe/Toll and the District, a portion of such amount may be financed with additional bonds issued by the Defined Area.

The District: The District's voters have authorized the issuance of a total of \$282,000,000 in principal amount of unlimited tax bonds for constructing or acquiring water, sanitary sewer and drainage facilities and a total of \$11,500,000 in principal amount of unlimited tax bonds for constructing or acquiring park and recreational facilities. \$75,600,000 in principal amount of such unlimited tax bonds for water, sanitary sewer and drainage facilities remains authorized but unissued and \$4,550,000 in principal amount of unlimited tax bonds for park and recreational facilities remains authorized but unissued. In addition, the District's voters have also authorized a total of \$293,500,000 in principal amount of unlimited tax bonds for the purposes of refunding outstanding bonds of the District, of which \$290,825,000 in principal amount for such purposes remains authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The District's voters could authorize additional amounts. The issuance of additional bonds for water, sanitary sewer, drainage and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

According to Woodlands Land, the District owes approximately \$4,300,000 plus interest for construction costs related to water, sanitary sewer and drainage facilities.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities," "—Financing Fire-Fighting Activities," and "—Financing Road Facilities" and "THE DISTRICT—Defined Area."

Marketability of the Bonds

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

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

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

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

The District’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.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “LEGAL MATTERS—Tax Exemption.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated February 1, 2025, with interest payable on September 1, 2025, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature on September 1 of the years and in the amounts, and accrue interest at the rates, shown under "MATURITY SCHEDULE" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At an election held on November 2, 2021, voters of the Defined Area authorized a total of \$10,220,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities to serve the Defined Area. The Bonds represent the first issuance from said authorization. After issuance of the Bonds, a total of \$5,970,000 in principal amount of defined area unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ.

Source and Security for Payment

The Bonds, and any additional bonds payable from ad valorem taxes within the Defined Area, are secured by and payable solely 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 Defined Area. See "TAXING PROCEDURES." The Bonds are not secured by the proceeds of ad valorem taxes levied by the District upon taxable property that is located within the District, including the Defined Area, to pay debt service on the District's bonds. Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Montgomery County, the City of Houston, The Woodlands Township or any political subdivision or entity other than the District.

Funds

The Bond Order creates the Defined Area's Debt Service Fund and the Defined Area's Construction Fund. An amount equal to twelve (12) months of interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Defined Area's Debt Service Fund. All remaining proceeds of the Bonds will be deposited in the Defined Area's Construction Fund. Additionally, all funds generated by the Defined Area 2024 maintenance tax rate are expected to be transferred from the Defined Area's Maintenance Tax Fund to the Defined Area's Debt Service Fund, once such fund has been created. The Defined Area's Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional defined area unlimited tax bonds issued by the District for the Defined Area, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes in the Defined Area. Amounts on deposit in the Defined Area's Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (as hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable in whole or in part from taxes in the Defined Area, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of bond proceeds.

The District also maintains a District Debt Service Fund that is not pledged to the Bonds. Funds in the District Debt Service Fund are not available to pay principal and interest on the Bonds or any additional Defined Area water, sanitary sewer and drainage bonds.

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.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1, 2041 (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 “Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):
under “Optional Redemption” below):

\$360,000 Term Bonds	
Due September 1, 2041	
<u>Mandatory</u>	<u>Principal</u>
<u>Redemption Date</u>	<u>Amount</u>
2040	\$ 175,000
2041 (maturity)	185,000

Notice of the mandatory redemption of the Term Bonds will be provided at least thirty (30) calendar days prior to the Redemption Date, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY-SYSTEM.”

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon through the date fixed for redemption of such Bonds (the “Redemption Date”). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date, in the manner specified in the Bond Order.

Effects of Redemption: By the Redemption Date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. 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 (hereafter defined) to collect interest which would otherwise accrue after the Redemption Date on any Bond or portion thereof called for redemption shall terminate on the Redemption Date.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner’s income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register, on behalf of the District, the registry books reflecting the names and addresses of the holders of the Bonds (the “Registered Owners”) and the maturities, principal amounts, and such other information as necessary to identify the Bonds registered in the name of such Registered Owners. All references herein to the Registered Owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds, so long as the Bonds are registered in the name of Cede & Co. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

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

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 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.

Issuance of Additional Debt

Defined Area: At an election held on November 2, 2021, the voters within the Defined Area authorized \$10,220,000 principal amount of unlimited tax bonds to finance water, sanitary sewer and drainage improvements to serve the Defined Area and \$7,060,000 principal amount of defined area unlimited tax bonds for the further purpose of refunding those bonds. After issuance of the Bonds, \$5,970,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities to serve the Defined Area and all of the principal amount of unlimited tax refunding bonds will remain authorized but unissued. The District's voters could authorize additional amounts. Any debt issued by the Defined Area will be the sole obligation of the Defined Area.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the Defined Area's voters or the amount ultimately issued by the Defined Area.

The District: The District's voters have authorized the issuance of a total of \$282,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$11,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, and \$293,500,000 in principal amount of unlimited tax bonds for refunding outstanding bonds of the District, and could authorize additional amounts. As of the date hereof, \$75,600,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$4,550,000 in principal amount of bonds for the purpose of acquiring or constructing recreational facilities, and \$290,825,000 in principal amount of unlimited tax refunding bonds remains authorized but unissued. The District's voters could authorize additional amounts.

The Bond Order 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.

Issuance of additional bonds could dilute the investment security for the Bonds. See “RISK FACTORS—Future Debt.”

Financing Fire-Fighting Activities

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

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

The District's voters have authorized the issuance of a total of \$11,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities to serve the District. \$4,550,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities remains authorized but unissued. See "—Issuance of Additional Debt" herein.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ. Authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Annexation and Incorporation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District, including the Defined Area, may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the District's outstanding bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

In addition, the District, including the Defined Area, is located entirely within The Woodlands Township (the "Township"), a political subdivision of the State of Texas which overlaps substantially all of the territory of The Woodlands. The Township has entered into agreements with the City of Houston and the City of Conroe pursuant to which the Township may request, prior to November 16, 2057, that the area of the Township be excluded from the extraterritorial jurisdiction of either or both cities, and may thereafter be incorporated as a municipality or may adopt a new form of local government. In the event of incorporation of the Township, the incorporated municipality may dissolve the District and if dissolved, must assume the assets, obligations and liabilities of the District, including the Bonds. No representation is made concerning the eventual likelihood of incorporation of the Township, the dissolution of the District, or the ability of the incorporated municipality to make debt service payments should incorporation and dissolution occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "RISK FACTORS—Registered Owners' Remedies."

Defeasance

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

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 is on file with DTC.

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were approved by the TCEQ in its order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by IDS Engineering Group. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

CONSTRUCTION COSTS

• Construction Costs Approved by the TCEQ.....	\$	3,229,611
Total Construction Costs.....	\$	3,229,611

NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$	127,343
• Capitalized Interest (a).....		196,150
• Developer Interest.....		343,038
Total Non-Construction Costs.....	\$	666,531

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$	253,351
• Bond Application Report.....		58,500
• State Regulatory Fees.....		14,875
• Contingency (a).....		27,132
Total Issuance Costs and Fees.....	\$	353,858
TOTAL BOND ISSUE.....	\$	4,250,000

(a) The TCEQ approved a maximum of \$223,125 of capitalized interest and a maximum amount of Underwriter's Discount of 3.00%. Contingency represents the difference in the estimated and actual amounts of capitalized interest and Underwriter's Discount.

THE WOODLANDS

The District is a part of an approximate 28,000-acre community known as The Woodlands. Formal opening of The Woodlands occurred in 1974. Since inception, approximately 48,995 residential units and approximately 36.3 million square feet of commercial, retail, industrial, research technology and institutional facilities have been constructed. The Woodlands currently has an estimated population of 120,000 and an estimated 2,460 employers provide employment for over 66,000 people.

THE DISTRICT

General

The District is a municipal utility district created pursuant to Article XVI, Section 59, Texas Constitution, by Senate Bill No. 1775, passed by the 77th Texas Legislature, Regular Session, 2001, Chapter 1381, codified as Chapter 8272, Special District Local Laws Code, as amended. The District operates pursuant to the provisions of Article XVI, Section 59, Texas Constitution, Chapters 49 and 54, Texas Water Code, as amended, and various general laws of the State applicable to municipal utility districts. The District, which lies within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, 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 may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt” and “—Financing Recreational Facilities.”

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, and drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County or Montgomery County, as applicable. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing water, sanitary sewer and drainage, recreational, and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes. Construction and operation of the District’s drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

Description and Location

The District contains approximately 3,714 acres of land and is located primarily within Harris County (approximately 3,318 acres) with a small portion located within Montgomery County (approximately 396 acres), approximately 27 miles north of the central business district of the City of Houston, Texas and approximately 13 miles south of the City of Conroe. The District is accessible via Interstate Highway 45 and Woodlands Parkway to Gosling Road, to Farm-to-Market 2978 or Kuykendahl Road. The Defined Area is located within the Harris County portion of the District and is bordered to the north by Rolling Oaks Country Subdivision, to the West by Kuykendahl Road and on the south and east by the Woodlands Village of Creekside Park subdivision. The Defined Area lies entirely within the Tomball Independent School District. See “AERIAL PHOTOGRAPH OF THE DEFINED AREA.”

District Status of Development

Of the approximate 3,714 acres of land within the District, approximately 2,539 acres have been developed as single-family subdivisions consisting of 6,325 developed lots (including approximately 50 acres and 148 lots in the Defined Area). Additionally, development in the District includes approximately 165 acres for commercial use and 2 multi-family apartment complexes on approximately 28 acres consisting of 479 units.

Tomball Independent School District owns approximately 40 acres where three elementary schools have been completed and approximately 39 acres where a junior high school has been constructed. Lone Star College System owns an 11-acre site, where campus facilities have been completed. The land owned by the Tomball Independent School District and Lone Star College System is not subject to ad valorem taxation by the District. Additionally, approximately 19 acres consists of two churches and a fire station, all of which are exempt from ad valorem taxation.

The remaining acreage within the District is comprised of approximately 23 undeveloped but developable acres, approximately 786 undevelopable acres, and 64 acres of parks and recreation.

THE DEFINED AREA

General

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property within the District to pay for improvements, facilities, or services that primarily benefit that area. On August 5, 2021, the District designated the “Enclave at the Woodlands Defined Area” (the “Defined Area”) over approximately 50.55 acres within the District. On November 2, 2021, voters of the Defined Area approved the creation of the Defined Area. At said election, voters of the Defined Area also authorized \$10, 220,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements to serve the Defined Area, \$7,060,000 principal amount of unlimited tax bonds for the further purpose of refunding those bonds, the levy of an unlimited tax on property within the Defined Area in payment of such bonds, and the levy of a maximum \$1.00 operation and maintenance tax on property within the Defined Area.

Properties in the Defined Area are subject to a total tax rate comprised of the District’s total tax rate plus the Defined Area total tax rate. For 2024, the District levied a District debt service tax rate of \$0.32 per \$100 assessed valuation, a District maintenance tax rate of \$0.12 per \$100 assessed valuation, and a Defined Area maintenance tax rate of \$0.54 per \$100 assessed valuation. Therefore, the total tax rate levied for 2024 in the Defined Area is \$0.98 per \$100 assessed valuation.

Bonds issued for the Defined Area, including the Bonds, are payable solely from the proceeds of taxes levied and collected on taxable property within the boundaries of the Defined Area (the “Defined Area Debt Service Tax”), and are not secured by the proceeds of ad valorem taxes levied by the District upon taxable property that is located within the District (including the Defined Area) to pay debt service on the District Bonds (the “District Debt Service Tax”). In addition, proceeds of the Defined Area Debt Service Tax may not be used for payment of debt service on the District’s outstanding bonds. See “RISK FACTORS.”

Defined Area Status of Development

The Defined Area has been developed as the single-family subdivision of the Enclave at The Woodlands encompassing approximately 50 acres and 148 single-family residential lots. As of December 1, 2024, the Defined Area contained 129 completed homes (126 occupied), 16 homes under construction or in a builder’s name and 3 vacant, developed lots. According to the Developer, the average home sale price in the Defined Area is approximately \$770,000.

Homebuilding

Tri Pointe Homes and Toll Brothers are the sole homebuilders in the Defined Area.

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. 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.

Investors in the Bonds should note that the prior real estate experience of the developer and its affiliates should not be construed as an indication that further development within the District will occur, or that construction of additional taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the developers or their affiliates was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the developers or their affiliates, if any, is no indication or guarantee that the developers will be successful in the future development of land within the District. Tri Pointe/Toll (defined below) is referred to herein as the “Developer.”

Tri Pointe Homes Texas, Inc./Toll Southwest LLC

Pursuant to a Joint Development Agreement between Tri Pointe Homes Texas Inc. and Toll Southwest LLC (defined herein as “Tri Pointe/Toll” or the “Developer”), Tri Pointe/Toll has developed approximately 50 acres in the District. Such acreage comprises the Defined Area where 148 lots have been completed. Tri Pointe/Toll does not own any additional developable land in the District.

Toll Southwest LLC is an indirect, wholly owned subsidiary of Toll Brothers, Inc., a Delaware Corporation (“Toll Brothers”). Toll Brothers and Tri Pointe are public companies whose stock is traded on the New York Stock Exchange under the symbol TOL and TPH, respectively. The Developer makes all development decisions and provides all financing for the development.

Toll Brothers and Tri Pointe file annual, quarterly and current reports, proxy statements and other information with the SEC and such filings are available to the public over the Internet at the SEC’s web site at <http://www.sec.gov>. You may also read and copy any document that Toll Brothers and Tri Pointe have filed with the SEC at the SEC’s Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of the Public Reference Room.

In addition, Toll Brothers and Tri Pointe make available on their web sites <http://www.tollbrothers.com> and <http://www.tripointehomes.com> their annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC as well as other financial institutions. Unless otherwise specified, information contained on Toll Brothers’ or Tri Pointe’s web sites, available by hyperlink from Toll Brothers’ or Tri Pointe’s web sites or on the SEC’s web site, is not incorporated into this OFFICIAL STATEMENT.

The Developer nor any affiliates of the Developer are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. None of the Developer, Toll Brothers, Toll Southwest LLC, Tri Pointe, or any affiliates of the Developer, Toll Brothers, Toll Southwest LLC or Tri Pointe have any legal commitment to the District or the holders of the Bonds to continue development of the land within the Defined Area, and the Developer may sell or otherwise dispose of property within the Defined Area, or any assets, at any time.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. All of the Board members reside within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
F. Emil Jacobs	President	May 2028
Christopher Boyer	Vice President	May 2026
Eric Politte	Assistant Vice President	May 2028
Anthony J. Compofelice	Secretary/Treasurer	May 2028
Penny L. Prater	Assistant Secretary/Treasurer	May 2026

District Consultants

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

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Engineer: The District’s consulting engineer is IDS Engineering Group (the “Engineer”). The Engineer has also been employed by the Developer in connection with certain planning activities and the design of certain streets and related improvements within the District.

Auditor: The District’s financial statements for the year ended March 31, 2024, were audited by Knox Cox & Company, L.L.P., Certified Public Accountants. See “APPENDIX A” for a copy of the District’s March 31, 2024, financial statements.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the “Bookkeeper”) for bookkeeping services.

Utility System Operator: The District’s Operator is Municipal District Services, LLC.

Tax Appraisal: The Harris Central Appraisal District and the Montgomery Central Appraisal District have the responsibility of appraising all property within their respective boundaries within the District. The Harris Central Appraisal District and the Montgomery Central Appraisal District are referred to herein as the “Appraisal Districts.” The Harris Central Appraisal District has the responsibility of appraising all property within the Defined Area. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District’s Tax Assessor/Collector is Ad Valorem Appraisals, Inc. (the “Tax Assessor/Collector”). The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Appraisal Districts and bills and collects such levy.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District in connection with the issuance of the Bonds. The fees paid to Disclosure Counsel in connection with issuance of the Bonds are contingent on the sale and delivery of the Bonds.

THE SYSTEM

The Defined Area is located entirely within the Harris County portion of the District. The Defined Area’s water, sewer and drainage system is a part of the larger District system that serves the Harris County portion of the District. The District has entered into a long-term agreement with Harris County Municipal Utility District No. 387 (“HCMUD 387”) for provision of financing, operation and maintenance of master water and sanitary sewer facilities to serve the Harris County portion of the District. HCMUD 387 operates the central water plants, wastewater treatment plants and major water distribution and wastewater transportation facilities which serve the developed portions of the District within Harris County including the Defined Area.

Water Supply and Distribution: The central water supply facilities presently consist of Water Plant No. 1, Water Plant No. 2, and Water Plant No. 3. Water Plant No. 1 consists of two 1,000 gallons per minute (“gpm”) water wells, two 500,000 gallon ground storage tanks, booster pump station with installed capacity of 5,500 gpm, two 15,000 gallon pressure tanks, chlorination facilities and related appurtenances. Water Plant No. 2 consists of two 1,000 gpm water wells, two 500,000 gallon ground storage tanks, booster pump station with installed capacity of 5,500 gpm, two 15,000 gallon pressure tanks, chlorination facilities and related appurtenances. Water Plant No. 3 consists of one 1,500 gpm water well, one 1,300 gpm water well, two 500,000 gallon ground storage tanks, booster pump station with installed capacity of 7,000 gpm, three 15,000 gallon pressure tanks, chlorination facilities and related appurtenances. The central water distribution facilities originating at the three plants consist of a looped network of mains and secondary feeders ranging from 4 to 16 inches in diameter. The District has paid for and purchased 8,000 equivalent single-family connections (“ESFCs”) of water capacity from HCMUD 387 to serve the Harris County portion of the District. According to the District Operator, as of December 1, 2024, the District was serving 5,767 active connections in Harris County (including 129 completed homes and 16 homes under construction or in a builder’s name in the Defined Area).

Wastewater Collection and Treatment: A central sanitary sewer system is located on the eastern side of the District on Gosling Road, with total capacity of 1.8 million gallons per day (“MGD”) (approximately 8,000 ESFCs) with provisions to increase the capacity to 3.0 MGD. The wastewater collection system within the District consists of a network of collection lines which transports wastewater to the treatment facilities. The District has previously paid for and purchased 8,000 ESFCs of sanitary sewer capacity from HCMUD 387 to serve the Harris County portion of the District. As of December 1, 2024, the District was serving 5,767 active connections in Harris County (including 129 completed homes and 16 homes under construction or in a builder’s name in the Defined Area).

Harris/Galveston Subsidence District: The Harris County portion of the District (including the Defined Area) is located within the boundaries of Area 3 of the Harris-Galveston Subsidence District (the “Subsidence District”), the entity which regulates groundwater withdrawal in Harris and Galveston Counties. HCMUD 387’s ability to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a Regulatory Plan (the “Regulatory Plan”) to reduce groundwater withdrawal through conversion to surface water use by the areas within the Subsidence District’s boundaries. Under the Regulatory Plan, areas within Area 3 of the Subsidence District’s boundaries were required to convert to 30% surface water by 2010, and must convert to 60% surface water by 2025 and 80% surface water by 2035. Water permittees, including HCMUD 387, are required to adopt and implement a groundwater reduction plan to meet the schedule for surface water conversion.

The Harris County portion of the District is also located within the boundaries of the North Harris County Regional Water Authority (the “Water Authority”). The Water Authority was created to accomplish the conversion to surface water by entities within the Subsidence District’s Area 3 in accordance with the Subsidence District’s Regulatory Plan. To implement the required conversion to surface water in accordance with the Subsidence District’s Regulatory Plan, the Water Authority has adopted a ground water reduction plan providing for the design, construction and operation of a network of surface water transmission lines, storage tanks, and pumping stations to transport and distribute surface water to the areas within the Water Authority’s boundaries (the “Surface Water Facilities”). The Water Authority has also contracted with the City of Houston to secure a long-term supply of surface water. To obtain funding to accomplish its purposes, the Water Authority is currently assessing a groundwater pumpage fee in the amount of \$2.60 per 1,000 gallons of water which applies to certain water well permittees in its boundaries, including HCMUD 387. The Water Authority has sold its Senior Lien Revenue Bonds to finance costs related to the design, acquisition and construction of Phase 1 of the Surface Water Facilities and to refinance a portion of bonds previously sold. The Water Authority bonds are secured by revenues of the Water Authority, including the groundwater pumpage fee. The groundwater pumpage fee is expected to increase in the future.

HCMUD 387 is required to pay for its share of the cost to acquire, design, construct and operate the Surface Water Facilities, which cost will be passed through to the District pursuant to its agreement with HCMUD 387. The District’s share of the cost of the Surface Water Facilities is being paid through the pumpage fee. For future phases of the Surface Water Facilities, current rules of the Water Authority allow HCMUD 387 to elect to pay for its share of the costs of the Surface Water Facilities through upfront capital contributions, which may be financed by either HCMUD 387 or the District through the issuance of bonds.

Storm Drainage: The land within the District, including the Defined Area, and in Harris County generally drains north and northwest, through a series of natural drainage ways thence to Spring Creek.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection, and storm drainage facilities have been constructed in the Defined Area to serve 148 single-family residential lots. See “THE DEFINED AREA—Defined Area Status of Development.”

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. There is currently developable acreage within the District officially within the 100-year flood plain according to the Federal Emergency Management (“FEMA”) Flood Insurance Rate Maps and the Engineer. Approximately 23 lots in Creekside Park are partially within the mapped 100-year flood plain. Pad sites on these lots were filled and removed from the 100-year floodplain via LOMR-F. The remainder of the lot areas that remained after the pad sites were filled are either partially or fully within the mapped 100-year flood plain. The land within the District and in Harris County, including the land within the Defined Area, generally drains north and northwest, through a series of natural drainage ways thence to Spring Creek. The land within the District and in Montgomery County drains through a series of designated channels out falling into Dry Creek, then ultimately into Spring Creek. Water surface elevations in Spring Creek adjacent to the District exceeded the 100-year flood elevations during the significant rainfall event in May of 2016 and Hurricane Harvey in 2017. The District is aware of structural flooding in approximately 6 homes in 2016 and approximately 300 homes in 2017 due to Hurricane Harvey. The drainage facilities in the sections which these homes were located were designed based on local regulatory requirements. See “RISK FACTORS—Flooding within the District’s Boundaries; Including Events Related to Hurricane Harvey.”

Atlas 14

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

Waterworks and Sewer System Operating Statement

The Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the Defined Area within the District. The operation and maintenance of the Defined Area’s facilities is part of the overall District operations and maintenance.

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District’s audited financial statements for the fiscal years ended March 31, 2021 through March 31, 2024, and an unaudited summary for the seven-month period ended November 30, 2024, provided by the bookkeeper. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX A” for further and complete information.

	Unaudited 4/1/2024 to 11/30/2024	Fiscal Year Ended			
		<u>3/31/2024</u>	<u>3/31/2023</u>	<u>3/31/2022</u>	<u>3/31/2021</u>
Revenues:					
Property Taxes	\$ 895,590	\$ 5,836,920	\$ 4,999,818	\$ 5,922,260	\$ 5,175,918
Service Revenues	6,143,386	9,102,064	9,774,814	7,443,221	7,819,619
Penalty and Interest	65,886	138,436	145,612	117,408	33,011
Tap Connection and Sewer					
Inspection	120,321	433,824	174,901	393,392	291,338
Investment Income and Other	672,698	1,085,559	431,953	67,367	149,403
Total Revenue	\$ 7,897,881	\$ 16,596,803	\$ 15,527,098	\$ 13,943,648	\$ 13,469,289
Expenditures:					
Current Expenditures	\$ 7,599,440	\$ 13,909,669	\$ 13,253,574	\$ 10,247,235	\$ 12,979,376
Capital Outlay	2,365,059	228,096	-	-	801
Total Expenditures	\$ 9,964,499	\$ 14,137,765	\$ 13,253,574	\$ 10,247,235	\$ 12,980,177
NET REVENUES	\$ (2,066,618)	\$ 2,459,038	\$ 2,273,524	\$ 3,696,413	\$ 489,112
Other Financing Sources	\$ -	\$ -	\$ -	\$ -	\$ -
General Operating Fund					
Balance (Beginning of Year)	\$ 21,379,541	\$ 18,920,503	\$ 16,646,979	\$ 12,950,566	\$ 12,461,454
General Operating Fund					
Balance (End of Year)	\$ 19,312,923	\$ 21,379,541	\$ 18,920,503	\$ 16,646,979	\$ 12,950,566

FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)

2024 Certified Taxable Assessed Valuation of the Defined Area	\$55,689,590	(a)
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area.....	\$99,912,112	(b)
Gross Direct Debt Outstanding of the Defined Area (including the Bonds)	\$4,250,000	(c)
Estimated Overlapping Debt of the Defined Area.....	<u>5,172,161</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$9,422,161	
Ratios of Gross Direct Debt to:		
2024 Certified Taxable Assessed Valuation of the Defined Area.....	7.63%	
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area	4.25%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2024 Certified Taxable Assessed Valuation of the Defined Area.....	16.92%	
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area	9.43%	
Funds Available for Debt Service		
Tax Fund Balance as of November 30, 2024.....	\$87,764	(e)
Capitalized Interest from proceeds of the Bonds (Twelve (12) months)	<u>\$196,150</u>	(f)
Total Funds Available for Debt Service.....	\$283,914	

- (a) As certified by the Harris Central Appraisal District (“HCAD”). See “TAXING PROCEDURES.”
- (b) As provided by HCAD. Such amount is only an estimate of the taxable assessed value on September 15, 2024, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2024 and September 15, 2024 will be certified as of January 1, 2025. See “TAXING PROCEDURES.”
- (c) After issuance of the Bonds.
- (d) See “—Estimated Overlapping Debt,” and “—Overlapping Taxes” herein.
- (e) Such funds and the funds generated by the Defined Area 2024 maintenance tax rate are expected to be transferred from the Defined Area’s Tax Fund to the Defined Area’s Debt Service Fund, once such fund has been created. Neither Texas Law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund. The District expects to levy its initial debt service tax for the Defined Area in 2025. See “THE BONDS—Funds” and “FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)—Defined Area Debt Service Requirements.”
- (f) The District will capitalize twelve (12) months of interest on the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate owning long term securities or derivative products in the District’s investment portfolio.

Outstanding Bonds

The Bonds represent the District’s first issuance of unlimited tax bonds that are secured by the proceeds of taxes levied upon taxable property located only within the Defined Area.

The District has previously issued unlimited tax bonds that are secured by the proceeds of taxes levied upon taxable property within the entire District (including the Defined Area) as follows: eleven (11) series of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, one (1) series of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, and four (4) series of unlimited tax refunding bonds. Of such bonds previously issued by the District, \$150,425,000 principal amount remains outstanding.

Defined Area Debt Service Requirements

The following sets forth the debt service on the Bonds. This schedule does not reflect that the District will capitalize twelve (12) months of interest from bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Debt Service on the Bonds		
	Principal	Interest	Total
2025	\$ -	\$ 100,254.44	\$ 100,254.44
2026	85,000	196,150.00	281,150.00
2027	90,000	190,518.75	280,518.75
2028	95,000	184,556.25	279,556.25
2029	100,000	178,262.50	278,262.50
2030	105,000	171,637.50	276,637.50
2031	110,000	164,681.25	274,681.25
2032	115,000	157,393.75	272,393.75
2033	125,000	149,775.00	274,775.00
2034	130,000	141,650.00	271,650.00
2035	135,000	136,287.50	271,287.50
2036	145,000	130,718.75	275,718.75
2037	150,000	124,737.50	274,737.50
2038	160,000	118,550.00	278,550.00
2039	170,000	111,950.00	281,950.00
2040	175,000	104,937.50	279,937.50
2041	185,000	97,718.75	282,718.75
2042	195,000	90,087.50	285,087.50
2043	205,000	82,043.75	287,043.75
2044	215,000	73,587.50	288,587.50
2045	230,000	64,718.75	294,718.75
2046	240,000	55,231.25	295,231.25
2047	250,000	45,331.25	295,331.25
2048	265,000	35,018.75	300,018.75
2049	280,000	24,087.50	304,087.50
2050	295,000	12,537.50	307,537.50
Total	\$ 4,250,000	\$2,942,423.19	\$7,192,423.19

Average Annual Debt Service Requirements (2025-2050)\$276,632
 Maximum Annual Debt Service Requirement (2050).....\$307,538

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the Defined Area within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County (a)	\$ 2,424,019,039	11/30/2024	0.008%	\$ 202,857
Harris County Flood Control District	968,445,000	11/30/2024	0.009%	82,730
Harris County Hospital District	65,285,000	11/30/2024	0.009%	5,576
Harris County Department of Education	28,960,000	11/30/2024	0.008%	2,423
Port of Houston Authority	406,509,397	11/30/2024	0.009%	34,731
Tomball Independent School District	940,570,000	11/30/2024	0.316%	2,976,514
Lone Star College System	507,100,000	11/30/2024	0.018%	91,710
The Woodlands Township	17,775,000	11/30/2024	0.210%	37,261
The District (b)	150,425,000	11/30/2024	1.156%	1,738,359
Total Estimated Overlapping Debt.....				\$ 5,172,161
Defined Area Direct Debt.....	4,250,000 (c)		100.00%	4,250,000
Total Direct and Estimated Overlapping Debt.....				\$ 9,422,161

Direct and Estimated Overlapping Debt as a Percentage of:

2024 Certified Taxable Assessed Valuation of the Defined Area of \$55,689,590.....	16.92%
Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area of \$99,912,112.....	9.43%

- (a) Excludes the Harris County Toll Road Unlimited Tax Bonds in the principal amount of \$130,635,000. Historically, Harris County has provided for payment of such debt service from toll road revenues and certain other funds and, no ad valorem tax revenue has been required to pay debt service on such bonds.
- (b) Includes the District's outstanding bonds.
- (c) Includes the Bonds.

Overlapping Taxes

Property within the Defined Area is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2024 tax year by all taxing jurisdictions in Harris County overlapping the Defined Area, including the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>Tax Rate per \$100 of Assessed Valuation</u>
The District.....	\$ 0.440000
Tomball Independent School District.....	1.062900
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority) (a).....	0.608689
The Woodlands Township.....	0.171400
Lone Star College System.....	0.107600
The Woodlands Road Utility District No. 1.....	0.100000
Harris County ESD No. 11.....	<u>0.038294</u>
Total Tax Rate.....	\$ 2.528883
The Defined Area.....	0.540000
Total Tax Rate for the Defined Area.....	\$ 3.068883

(a) The Defined Area is located wholly within Harris County.

TAX DATA

Defined Area Debt Service Tax

The Board covenants in the Bond Order 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 on property located within the Defined Area. The District expects to levy its initial Defined Area debt service tax in 2025. See “Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

Defined Area Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the Defined Area, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was held on November 2, 2021, and voters of the District authorized, among other things, the Board to levy a Defined Area maintenance tax at a rate not to exceed \$1.00 per \$100 of taxable assessed valuation for general operations and maintenance costs. A maintenance tax is in addition to taxes which the District is authorized to levy within the Defined Area for paying principal of and interest on the Bonds. See “Defined Area Debt Service Tax” above.

District Debt Service Tax

The Board has covenanted to levy and assess, for each year that all or any part of the District’s outstanding bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the District’s outstanding bonds. Such tax is not available to pay the principal of or interest on the Bonds or any future bonds issued by the Defined Area. See “Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

District Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was held on November 7, 2006, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.25 per \$100 of taxable assessed valuation for general operations and maintenance costs. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the District’s outstanding bonds. See “District Debt Service Tax” above.

Defined Area Tax Exemptions

For the tax year 2024, the District did not adopt a general residential homestead exemption for property located in the Defined Area, or exempt any portion of the appraised value of residence homesteads located in the Defined Area for individuals who are sixty-five (65) years of age or older or who are under a disability for purposes of disability benefits. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

Tax Rate Distribution

<u>The District</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service Tax	\$0.320	\$0.320	\$0.325	\$0.320	\$0.320
Maintenance Tax	<u>0.120</u>	<u>0.130</u>	<u>0.125</u>	<u>0.170</u>	<u>0.170</u>
Total District Tax Rate	\$0.440	\$0.450	\$0.450	\$0.490	\$0.490
<u>Defined Area</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>		
Maintenance Tax	\$0.540	\$0.540	\$0.540		

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the Defined Area. Such table has been prepared for inclusion herein based upon information obtained from a report prepared by the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections As of 11/30/2024 (b)	
				Amount	Percent
2022	3,200,024	0.540	17,280	17,280	100.00%
2023	12,058,990	0.540	65,119	65,119	100.00%
2024	55,689,590	0.540	300,724	(c)	(c)

- (a) As certified by the HCAD. See “Tax Roll Information” herein.
- (b) Unaudited.
- (c) In the process of collection. Taxes for the 2024 tax year are due January 31, 2025.

Tax Roll Information

The Defined Area’s taxable assessed value as of January 1 of each year is used by the District in establishing the Defined Area’s tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2022 through 2024 Certified Taxable Assessed Valuations. An accurate breakdown of the Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area of \$99,912,112 is not available. See “TAXING PROCEDURES.”

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions	Uncertified Value	Net Assessed Valuation
	Land	Improvements	Personal Property				
2022	\$ 3,195,943	\$ 4,081	\$ -	\$ 3,200,024	\$ -	\$ -	\$ 3,200,024
2023	12,058,990	-	-	12,058,990	(27,252)	-	12,031,738
2024	18,647,533	36,956,964	114,439	55,718,936	(29,346)	-	55,689,590

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed value as a percentage of the 2024 Certified Taxable Assessed Valuation of the Defined Area of \$55,689,590. This represents ownership as of January 1, 2024. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area of \$99,912,112 is not available.

Taxpayer	2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation
Toll Southwest LLC (a)	\$ 2,011,142	3.61%
RIB Real Estate LLC	1,007,119	1.81%
Individual	978,812	1.76%
Individual	921,277	1.65%
Individual	920,290	1.65%
Individual	902,704	1.62%
Individual	887,620	1.59%
Individual	878,524	1.58%
VG USA LLC	859,941	1.54%
Individual	834,912	1.50%
Total	\$ 10,202,341	18.31%

(a) See “THE DEVELOPER.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements on the Bonds if no growth in the Defined Area’s tax base occurred beyond the 2024 Certified Taxable Assessed Valuation of the Defined Area of \$55,689,590 and Estimated Taxable Assessed Valuation as of September 15, 2024 of the Defined Area of \$99,912,112. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds when due, assuming no further increase or any decrease in the taxable value in the Defined Area, collection of ninety percent (90%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)—Defined Area Debt Service Requirements” and “RISK FACTORS—Possible Impact on District Tax Rates.”

Average Annual Debt Service Requirement (2025-2050).....	\$276,632
\$0.56 Tax Rate on the 2024 Certified Taxable Assessed Valuation of the Defined Area	\$280,676
\$0.31 Tax Rate on the Estimated Taxable Assessed Valuation as of September 15, 2024.....	\$278,755
Maximum Annual Debt Service Requirement (2050).....	\$307,538
\$0.62 Tax Rate on the 2024 Certified Taxable Assessed Valuation of the Defined Area	\$310,748
\$0.35 Tax Rate on the Estimated Taxable Assessed Valuation as of September 15, 2024.....	\$314,723

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal Districts

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2024 tax year, the District has not granted such exemption for the Defined Area. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their

residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law) who was (i) killed in action, or (ii) 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 of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods- in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

Tax Exemption Provided to Public Facility Corporations and Certain Lessees

Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071 to amend the PFC Act. H.B. 2071 significantly revised the PFC Act's requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

General Residential Homestead Exemption

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

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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 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% 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, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "TAXING PROCEDURES²⁰⁰³ Rollback of Operations and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal Districts are required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based upon the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

Tax Abatement

The City of Houston, Harris County, Montgomery County and The Woodlands Township may designate all or part of the District as a reinvestment zone, and, under certain circumstances, the District, Harris County, Montgomery County, The Woodlands Township, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal Districts. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or thirty (30) days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or a portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, 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.

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

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For tax year 2024, the District has been designated 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act (12 U.S.C. 1825, as amended). Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS—Tax Collection Limitations and Foreclosure Remedies."

LEGAL MATTERS

Legal Opinions

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

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

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS," "THE DISTRICT—General," "DEFINED AREA—General," "MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). 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.

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

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 Code.

Collateral Federal Income Tax Consequences

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

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

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

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a Bond Insurance Policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). An explanation of the rating may be obtained from S&P. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the Defined Area would have received an investment grade rating if application had been made.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.6 million, \$246.3 million and \$256.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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 Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from 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 to such effect. 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

Masterson 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, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a 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.

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants:

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the Assessed Valuations of the Defined Area within the District have 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 Defined Area.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" and "TAXING PROCEDURES" has been provided by Ad Valorem Appraisals, Inc. and is included herein in reliance upon the authority of said firm as experts in collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater, and storm drainage system, and, in particular that information in the sections entitled "THE DISTRICT" and "THE SYSTEM" (as it relates to District facilities) has been provided by the IDS Engineering Group, included herein in reliance upon the authority of said firm as experts in the field of engineering.

Auditor: The District's financial statements for the year ended March 31, 2024, were audited by Knox Cox & Company, L.L.P., Certified Public Accountants. See "APPENDIX A" for a copy of the District's March 31, 2024, financial statements.

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "THE SYSTEM— Waterworks and Sewer System Operating Statement" has been provided from records of Municipal Accounts & Consulting L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility 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 Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to an ultimate customer.

Certification of Official Statement

The District, acting through its Board 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 the 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 Order, 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 specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DEFINED AREA (UNAUDITED)," (except "Estimated Overlapping Debt" and "Overlapping Taxes"), "TAX DATA," (most of which information is contained in the District's annual audited financial statements) and in "APPENDIX A." The District will update and provide this information within six (6) months after the end of each fiscal year ending in and after 2025.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is March 31. Accordingly, it must provide updated information by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt 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 CFR § 240.15c2-12 (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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal

securities laws. Neither the Bonds nor the Bond Order 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 the 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 an internet portal at 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 holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District 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 Harris-Montgomery Counties Municipal Utility District No. 386, as of the date shown on the cover page.

/s/ F. Emil Jacobs
Harris-Montgomery Counties Municipal
Utility District No. 386
President, Board of Directors

ATTEST:

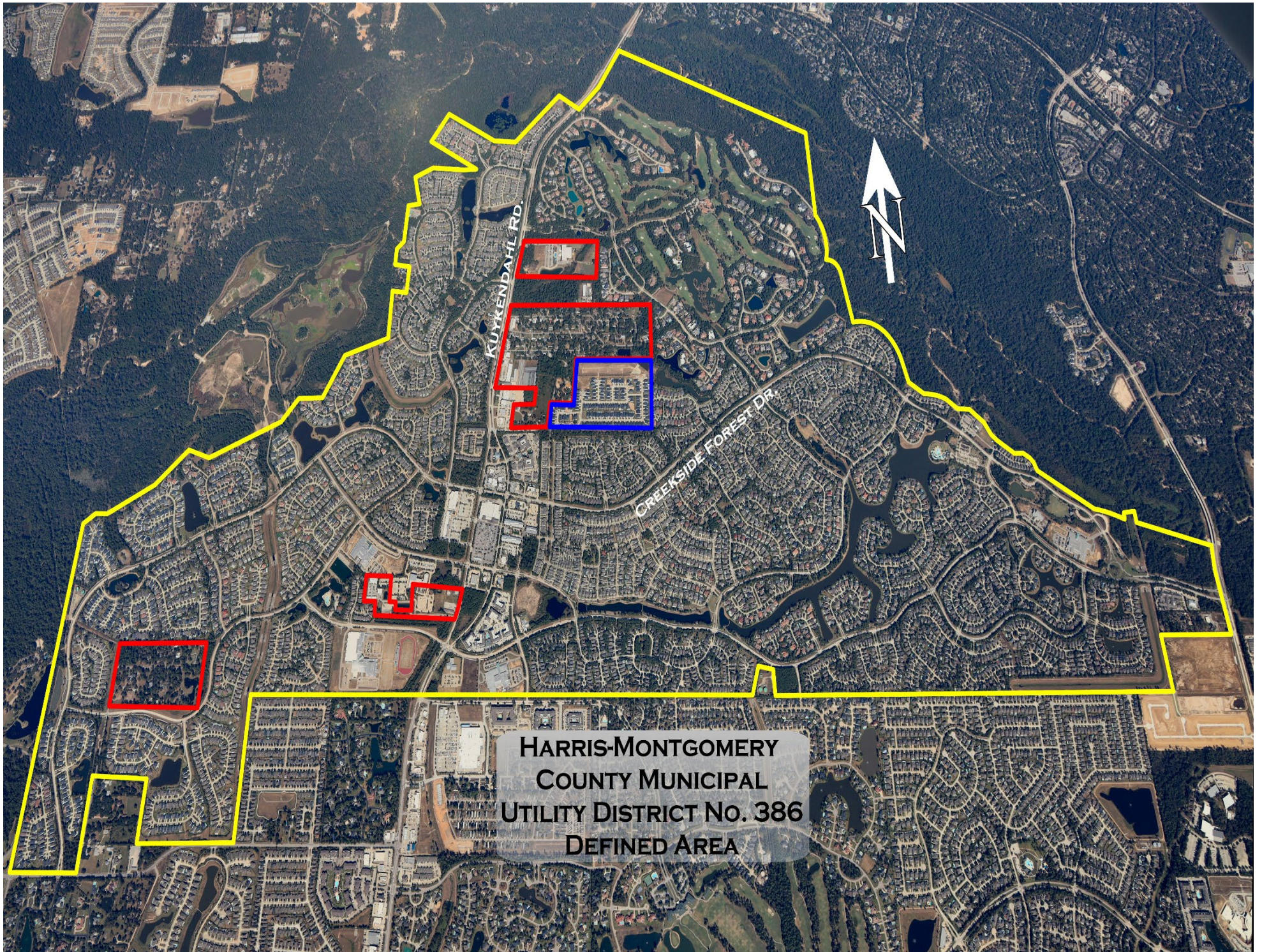
/s/ Anthony Compofelice
Harris-Montgomery Counties Municipal
Utility District No. 386
Secretary, Board of Directors

AERIAL PHOTOGRAPH OF THE DEFINED AREA
(Taken October 2024)

**HARRIS-MONTGOMERY
COUNTY MUNICIPAL
UTILITY DISTRICT No. 386**

FM 2978





**HARRIS-MONTGOMERY
COUNTY MUNICIPAL
UTILITY DISTRICT NO. 386
DEFINED AREA**

PHOTOGRAPHS OF THE DEFINED AREA
(Taken October 2024)













APPENDIX A

Auditor's Report and Financial Statements of the District for the year ended March 31, 2024

The information contained in this appendix includes the audited financial statements of Harris-Montgomery Counties Municipal Utility District No. 386 and certain supplemental information for the fiscal year ended March 31, 2024.

Harris-Montgomery Counties
Municipal Utility District No. 386

HARRIS & MONTGOMERY COUNTIES, TEXAS

FINANCIAL REPORT

March 31, 2024

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CONTENTS

	<u>Exhibits</u>	<u>Page</u>
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-8
<u>Basic Financial Statements</u>		
<u>Government-wide and Fund Financial Statements</u>		
Statement of Net Assets and Governmental Funds Balance Sheet	B(1)	10-11
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance	B(2)	12-13
Notes to Financial Statements	B(3)	15-30
<u>Required Supplementary Information</u>		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	C(1)	32
Notes to Required Supplementary Information	C(2)	33
<u>TEXAS SUPPLEMENTARY INFORMATION</u>		
<u>Schedules</u>		
Schedule of Services and Rates (Unaudited)	TSI-1	36-37
Schedule of General Fund Expenditures	TSI-2	38
Schedule of Temporary Investments	TSI-3	39
Analysis of Taxes Levied and Receivable	TSI-4	41
Long-Term Debt Service Requirements - By Years	TSI-5	42-45
Change in Long-Term Bonded Debt	TSI-6	46-47
Comparative Schedule of Revenues and Expenditures – General and Debt Service Funds	TSI-7	48-49
Board Members, Key Personnel, and Consultants	TSI-8	50

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Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478

main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
Harris-Montgomery Counties Municipal Utility District No. 386
Harris-Montgomery Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Harris-Montgomery Counties Municipal Utility District No. 386, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements sections 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility 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 fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and perform audit procedures responsive to those risks. Such procedures including 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, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating 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 identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 28 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Sugar Land, Texas
July 19, 2024

Management's Discussion and Analysis

As management of Harris-Montgomery Counties Municipal Utility District No. 386 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended March 31, 2024.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$53,243,638 (net position).
- As of March 31, 2024, the District's governmental funds reported an ending fund balance of \$62,315,467.
- The District's cash and temporary investments at March 31, 2024 was \$65,398,998, representing an increase of \$5,987,201 from March 31, 2023.
- The District had revenues of \$32,988,182 and a change in net position of \$10,687,466 for the year ended March 31, 2024.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$20,693,741.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of the General Fund, the Capital Projects Fund and the Debt Service Fund.

Governmental Funds - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 30 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget. Required supplementary information can be found on page 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$53,243,638 as of March 31, 2024, of which \$22,156,334 is unrestricted and available for future operations.

SUMMARY OF STATEMENT OF NET POSITION

	Governmental Activities	
	2024	2023
Current and other assets	\$ 68,419,639	\$ 62,464,959
Capital assets, net	136,017,571	136,709,619
Total Assets	204,437,210	199,174,578
Deferred Outflows of Resources	2,938,532	3,172,213
Long-term liabilities	138,225,000	146,420,000
Other liabilities	15,907,104	13,370,619
Total Liabilities	154,132,104	159,790,619
Net Position:		
Net investment in capital assets	10,209,415	4,616,389
Restricted	20,877,889	19,110,123
Unrestricted	22,156,334	18,829,660
Total Net Position	\$ 53,243,638	\$ 42,556,172

Net position of the District, all of which relate to governmental activities, increased by \$10,687,466. Key elements of the increase are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	2024	2023
Revenues		
Water and sewer charges	\$ 9,102,064	\$ 9,774,814
Property taxes, penalties and interest	20,418,534	18,479,053
Tap connection and inspection fees	433,824	174,901
Investment income and other	3,033,760	1,120,425
Total Revenues	32,988,182	29,549,193
Expenses		
Purchased services	10,889,693	10,870,172
Professional fees	785,004	327,067
Contracted services	559,146	541,143
Repairs and maintenance	1,039,235	985,010
Tap connections and inspections	353,081	201,890
Administration and other	538,510	575,564
Interest and fiscal charges on long-term debt	5,215,903	5,801,937
Depreciation and amortization	2,920,144	2,920,144
Total Expenses	22,300,716	22,222,927
Change in Net Position	10,687,466	7,326,266
Net position, beginning	42,556,172	35,229,906
Net Position, Ending	\$ 53,243,638	\$ 42,556,172

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District’s governmental funds are discussed below:

Governmental Funds - The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, fund balances may serve as a useful measure of a government’s net resources available for spending for program purposes at the end of the fiscal year.

As of March 31, 2024, the District’s governmental funds reported an ending fund balance of \$62,315,467.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of March 31, 2024 amounts to \$136,017,571 (net of accumulated depreciation). This investment in capital assets includes capacity rights and water and wastewater infrastructure.

CAPITAL ASSETS SCHEDULE (Net of Depreciation)

	Governmental Activities	
	2024	2023
Capacity rights	\$ 45,843,900	\$ 43,843,900
Construction in progress	228,096	
Land	286,876	286,876
Infrastructure	89,658,699	92,578,843
Total Capital Assets, Net	\$ 136,017,571	\$ 136,709,619

The District has contractual commitments on various open and closed projects for the construction of facilities within the District.

LONG-TERM DEBT

As of March 31, 2024, the District has a total bonded debt outstanding of \$146,420,000. Interest expense for the 2024 fiscal year totaled \$5,215,903 on this bonded debt. These outstanding bonds have maturities ranging from fiscal year 2024 to fiscal year 2048. Additional information on the District's long-term debt can be found in Note 10 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- Unassigned fund balance in the General Fund increased to \$20,693,741 from a balance of \$18,051,331. An increase in fund balance of \$1,769,353 was projected.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Harris-Montgomery Counties Municipal Utility District No. 386, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 2400, Houston, Texas 77056.

FINANCIAL STATEMENTS

Harris-Montgomery Counties Municipal Utility District No. 386

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets</u>			
Cash	\$ 426,873	\$ 3,056,592	\$ 295
Temporary investments	21,148,448	18,065,092	22,701,698
Receivables:			
Property taxes	261,821	643,595	
Customer service accounts	373,254		
Accrued interest	496	8,155	
Intergovernmental advance	1,039,276		
Prepayments	685,800	8,244	
Interfund receivables	813,355		
Capital assets, net of accumulated depreciation:			
Capacity rights			
Construction in Progress			
Land			
Infrastructure			
Total Assets	<u>24,749,323</u>	<u>21,781,678</u>	<u>22,701,993</u>
Deferred Outflows of Resources -Charges from refunding			
Total Assets and Deferred Outflows of Resources	<u>\$ 24,749,323</u>	<u>\$ 21,781,678</u>	<u>\$ 22,701,993</u>
<u>Liabilities and Fund Balances/Net Position</u>			
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 1,825,605	\$ 90,434	\$ 361
Accrued interest payable			
Customer deposits	1,254,370		
Other	27,986		
Internal payables		813,355	
Due to other governments			2,000,000
Unamortized bond premium			
Current portion of long-term debt			
Noncurrent liabilities due in more than one year			
Total Liabilities	<u>3,107,961</u>	<u>903,789</u>	<u>2,000,361</u>
Deferred Inflows of Resources -Advance of Tax revenue	261,821	643,595	
<u>Fund Balances/Net Position</u>			
Fund Balances:			
Nonspendable	685,800		
Restricted for:			
Capital projects			20,701,632
Debt service		20,234,294	
Unrestricted and Unassigned:			
Unassigned	20,693,741		
Total Fund Balances	<u>21,379,541</u>	<u>20,234,294</u>	<u>20,701,632</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 24,749,323</u>	<u>\$ 21,781,678</u>	<u>\$ 22,701,993</u>
Net Position:			
Net investment in capital assets			
Restricted for Debt Service			
Unrestricted			
Total Net Position			

Exhibit B(1)

<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
\$ 3,483,760	\$	\$ 3,483,760
61,915,238		61,915,238
905,416		905,416
373,254		373,254
8,651		8,651
1,039,276		1,039,276
694,044		694,044
813,355	(813,355)	
	45,843,900	45,843,900
	228,096	228,096
	286,876	286,876
	89,658,699	89,658,699
<u>69,232,994</u>	<u>135,204,216</u>	<u>204,437,210</u>
	2,938,532	2,938,532
<u>\$ 69,232,994</u>	<u>\$ 138,142,748</u>	<u>\$ 207,375,742</u>
\$ 1,916,400	\$	\$ 1,916,400
	412,971	412,971
1,254,370		1,254,370
27,986		27,986
813,355	(813,355)	
2,000,000		2,000,000
	2,100,377	2,100,377
	8,195,000	8,195,000
	138,225,000	138,225,000
<u>6,012,111</u>	<u>148,119,993</u>	<u>154,132,104</u>
<u>905,416</u>	<u>(905,416)</u>	
685,800		
20,701,632	(20,701,632)	
20,234,294	(20,234,294)	
20,693,741	(20,693,741)	
<u>62,315,467</u>	<u>(61,629,667)</u>	
<u>\$ 69,232,994</u>		
	10,209,415	10,209,415
	20,877,889	20,877,889
	22,156,334	22,156,334
	<u>\$ 53,243,638</u>	<u>\$ 53,243,638</u>

Harris-Montgomery Counties
Municipal Utility District No. 386

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2024

	General	Debt Service	Capital Projects
<u>Revenues</u>			
Water service	\$ 2,579,617	\$	\$
Sewer service	1,375,199		
Surface water conversion	5,147,248		
Property taxes	5,836,920	14,237,419	
Penalties and interest	138,436	145,688	
Tap connection and inspection fees	433,824		
Investment earnings	1,057,086	726,452	1,204,449
Other revenue	28,473	17,300	
Total Revenues	16,596,803	15,126,859	1,204,449
<u>Expenditures/Expenses</u>			
Current:			
Purchased services	10,889,693		
Professional fees	785,004		
Contracted services	324,886	234,260	
Repairs and maintenance	1,039,235		
Tap connections and inspections	353,081		
Administration and other	517,770	3,694	17,046
Debt service:			
Interest		5,220,219	39,797
Principal		7,935,000	
Capital outlay	228,096		2,286,876
Depreciation and amortization			
Total Expenditures/Expenses	14,137,765	13,393,173	2,343,719
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,459,038	1,733,686	(1,139,270)
Change in Fund Balances/Net Position	2,459,038	1,733,686	(1,139,270)
Fund Balances/Net Position - Beginning	18,920,503	18,500,608	21,840,902
Fund Balances/Net Position - Ending	\$ 21,379,541	\$ 20,234,294	\$ 20,701,632

See Notes to Financial Statements.

Exhibit B(2)

<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
\$ 2,579,617	\$	\$ 2,579,617
1,375,199		1,375,199
5,147,248		5,147,248
20,074,339	60,071	20,134,410
284,124		284,124
433,824		433,824
2,987,987		2,987,987
45,773		45,773
<u>32,928,111</u>	<u>60,071</u>	<u>32,988,182</u>
10,889,693		10,889,693
785,004		785,004
559,146		559,146
1,039,235		1,039,235
353,081		353,081
538,510		538,510
5,260,016	(44,113)	5,215,903
7,935,000	(7,935,000)	
2,514,972	(2,514,972)	
	2,920,144	2,920,144
<u>29,874,657</u>	<u>(7,573,941)</u>	<u>22,300,716</u>
3,053,454	(3,053,454)	
3,053,454	7,634,012	10,687,466
59,262,013	(16,705,841)	42,556,172
<u>\$ 62,315,467</u>	<u>\$ (9,071,829)</u>	<u>\$ 53,243,638</u>

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Harris-Montgomery Counties **Municipal Utility District No. 386**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with generally accepted accounting principles. The following is a summary of the most significant policies:

A. Reporting Entity

Harris-Montgomery Counties Municipal Utility District No. 386 (the "District") was created by Senate Bill No. 1775 passed by the 77th Texas Legislature, Regular Session, 2001, Chapter 1381, codified as Chapter 8272, Special District Local Laws Code, as amended. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and, subject to the provisions of Texas Water Code, Section 49.351 et seq., including the approval of a fire plan by the Texas Commission on Environmental Quality and the voters within the District, to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 26, 2003.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by generally accepted accounting principles, these general purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered if determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Harris-Montgomery Counties **Municipal Utility District No. 386**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities, if applicable.

B. Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the District prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Some of the significant changes of GASB Statement No. 34 include the following:

Management’s Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report related depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net assets of a government are broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District’s major funds and are prepared using the modified basis of accounting.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from

Harris-Montgomery Counties **Municipal Utility District No. 386**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended March 31, 2024.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net assets and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

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

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund

The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations and property taxes. Expenditures include all costs associated with the daily operations of the District.

Harris-Montgomery Counties **Municipal Utility District No. 386**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond resolutions.

Capital Projects Fund

The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's water and sewer facilities.

E. Budget

An unappropriated budget is adopted for the General Fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

F. Investments

The District classifies investments that have a remaining maturity of one year or less at the date of purchase as "money market investments" in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Reporting for Certain Investments and External Investment Pools" (Statement No. 31). Statement No. 31 defines "money market investments" as short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations. The District values its "money market investments" at cost, which is considered to approximate market value. The District's certificates of deposit, if any, are recorded at cost in accordance with Statement No. 31.

In December 2015, GASB issued Statement No. 79 titled "Certain External Investment Pools and Pool Participants" in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in Statement No. 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

G. Capital Assets

Capital assets, which include infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Capacity rights	N/A
Water system	40 years
Wastewater system	40 years
Engineering	40 years

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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

I. Fund Equity

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. When restricted and unrestricted fund balance exists for the same purpose, restricted fund balance will be used first.

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

authority). Commitments may be changed or lifted only by the Board of Directors taking the same formal action that imposed the constraint originally.

Assigned:

To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

J. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through July 19, 2024, the date that the financial statements were available to be issued.

K. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	\$ 62,315,467
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	136,017,571
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,938,532
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements	905,416
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	(148,933,348)
Net Position of Governmental Activities	<u>\$ 53,243,638</u>

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net assets as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 3,053,454
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay expense in the current fiscal year.	(405,172)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	7,979,113
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>60,071</u>
Change in Net Position of Governmental Activities	<u><u>\$ 10,687,466</u></u>

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND TEMPORARY INVESTMENTS

Cash consists of interest bearing checking accounts and temporary investments consist of Texas CLASS and certificates of deposit.

The carrying amounts for cash and temporary investment balances, which approximate fair values, by fund at March 31, 2024, are as follows:

	Checking	CD's	Texas CLASS	Total
General	\$ 426,873	\$ 235,000	\$ 20,913,448	\$ 21,575,321
Debt Service	3,056,592	235,000	17,830,092	21,121,684
Capital Projects	295		22,701,698	22,701,993
	<u>\$ 3,483,760</u>	<u>\$ 470,000</u>	<u>\$ 61,445,238</u>	<u>\$ 65,398,998</u>

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the District's deposits is required to be held in the District's name by the trust department of a bank other than the pledging bank (the District's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the District during the year.

The District's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the District's agent in the District's name.

Investments

At year-end, the Districts investment balances were as follows:

	Fair Value	Fair Value Level	Weighted Average Maturity (Days)
Certificates of Deposit	\$ 470,000	2	149
Texas CLASS	61,445,238	1	81
Total Investments	<u>\$ 61,915,238</u>		

Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs.

Harris-Montgomery Counties **Municipal Utility District No. 386**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at March 31, 2024.

Investment Pools

The District participates in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), an external investment pool that is not registered with the Security and Exchange Commission. Texas CLASS is supervised by the Board of Trustees, each of whom is elected by the Participants. The Board of Trustees supervises the Trust and acts as a liaison between Participants, the Custodian and the Program Administrator. Wells Fargo Bank, NA serves as Custodian of the Trust. Public Trust Advisors, LLC serves as Program Administrator. Texas CLASS use amortized cost (which excludes unrealized gains and losses) to compute share price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements. There are no limitations or restriction on withdrawal from the investment pool. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

Credit Risk - Investments

In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As of March 31, 2024, Texas CLASS is rated AAAM by Standard and Poor's.

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually for use in financing general operations limited in the maximum amount of \$1.25 and \$1.00 per \$100 of assessed value for the District and the Enclave at the Woodlands Defined Area, respectively. The District's bond authorized resolution requires that ad valorem taxes be levied for use in paying interest and principal on long-term debt following the issuance of bonds and for use in paying the cost of assessing and collecting taxes. Taxes levied for debt service requirements are without limitation as to rate or amount.

All property values for the land located within Harris County are determined by the Harris County Appraisal District. All property values for the land located within Montgomery County are determined by the Montgomery Central Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional twenty percent penalty charged on accounts delinquent after July 1st of each year which generally is payable to the District's delinquent tax attorney.

Property taxes are levied for operations and maintenance and debt service. For the 2023 tax year, the District levied a tax rate of \$0.45 per \$100 of assessed valuation of which \$0.320 was allocated to debt service and \$0.130 to operations and maintenance. The District also levied a tax rate of \$0.54 per \$100 of assessed value related to the District's Defined Area ("The Enclave at the Woodlands Defined Area") all of which was allocated to operations and maintenance. The resulting tax levy was \$20,202,091 on the adjusted taxable valuation of \$4,486,941,714 for the 2023 tax year.

Property taxes receivable at March 31, 2024, consisted of the following:

	General Fund	Debt Service Fund	Total
2023 Levy	\$ 234,798	\$ 571,487	\$ 806,285
2022 Levy	15,533	40,385	55,918
2021 Levy	4,742	8,926	13,668
2020 & Prior	6,748	22,797	29,545
	\$ 261,821	\$ 643,595	\$ 905,416

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 261,821	\$ 643,595	\$ 905,416
Customer service accounts	373,254		373,254
Accrued interest	496	8,155	8,651
Intergovernmental advance	1,039,276		1,039,276
Total Receivables	<u>\$ 1,674,847</u>	<u>\$ 651,750</u>	<u>\$ 2,326,597</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - General Fund	\$ 261,821	\$
Delinquent property taxes receivable - Debt Service Fund	643,595	
Total Deferred Revenue for Governmental Funds	<u>\$ 905,416</u>	<u>\$</u>

NOTE 6 – DEFERRED CHARGES FROM REFUNDING

A summary of changes in the deferred charges from refunding follows:

	<u>Original Deferred Charge</u>	<u>Balance at Apr. 1, 2023</u>	<u>Current Year Interest</u>	<u>Balance at Mar. 31, 2024</u>
Refunding Bonds				
Series 2015	\$ 1,243,684	\$ 932,764	\$ 51,820	\$ 880,944
Series 2016	2,462,681	1,575,389	130,780	1,444,609
Series 2017	970,549	664,060	51,081	612,979
Total	<u>\$ 4,676,914</u>	<u>\$ 3,172,213</u>	<u>\$ 233,681</u>	<u>\$ 2,938,532</u>

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – UNAMORTIZED BOND PREMIUM (DISCOUNT)

A summary of changes in the unamortized bond premium follows:

	Original Bond Premium (Discount)	Balance at Apr. 1, 2023	Current Year Amortization	Balance at Mar. 31, 2024
Unlimited Tax Bonds				
Series 2014	\$ 375,928	\$ 219,288	\$ 15,664	\$ 203,624
Series 2014A	(248,984)	(162,800)	(9,576)	(153,224)
Series 2015R	392,552	250,876	14,758	236,118
Series 2016R	2,994,625	1,871,641	166,368	1,705,273
Series 2017R	547,019	353,955	32,177	321,778
Series 2018	(288,627)	(226,311)	(13,119)	(213,192)
Total	\$ 3,772,513	\$ 2,306,649	\$ 206,272	\$ 2,100,377

NOTE 8 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended March 31, 2024, follows:

	Balance Apr. 1, 2022	Increases	(Decreases)	Balance Mar. 31, 2023
Governmental Activities:				
Non-depreciable Assets:				
Capacity rights	\$ 43,843,900	\$ 2,000,000	\$	\$ 45,843,900
Land	286,876			286,876
Construction in progress		228,096		228,096
Total Non-depreciable Assets	<u>44,130,776</u>	<u>2,228,096</u>		<u>46,358,872</u>
Depreciable Assets:				
Infrastructure	123,083,188			123,083,188
Total Depreciable Assets	<u>123,083,188</u>			<u>123,083,188</u>
Less Accumulated Depreciation	<u>(30,504,345)</u>	<u>(2,920,144)</u>		<u>(33,424,489)</u>
Totals	\$ 136,709,619	\$ (692,048)	\$	\$ 136,017,571

Depreciation expense for the year ended March 31, 2024 totaled \$2,920,144.

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended March 31, 2024:

Bonds payable, April 1, 2023	\$ 154,355,000
Bond retirements	(7,935,000)
Bonds Payable, March 31, 2024	<u>\$ 146,420,000</u>

Bonds payable at March 31, 2024, are comprised of the following individual issues:

Series	Amount Outstanding	Interest Rate	Date Serially Begin/End	Maturity Interest Dates
2014	\$18,050,000	3.000- 4.125%	September 1 2018/2037	March 1/ Sept. 1
2014A	\$21,605,000	2.500- 4.000%	September 1 2018/2039	March 1/ Sept. 1
2015R	\$14,035,000	2.000- 4.000%	September 1 2018/2034	March 1/ Sept. 1
2015A	\$ 6,205,000	2.000- 3.625%	September 1 2018/2040	March 1/ Sept. 1
2016R	\$17,765,000	2.000- 4.000%	September 1 2018/2034	March 1/ Sept. 1
2017R	\$13,510,000	2.000- 4.000%	September 1 2018/2035	March 1/ Sept. 1
2018	\$ 8,450,000	2.000- 3.625%	September 1 2019/2041	March 1/ Sept. 1
2020	\$9,385,000	1.000- 2.000%	September 1 2020/2044	March 1/ Sept. 1
2020R	\$16,195,000	2.000- 4.000%	September 1 2021/2036	March 1/ Sept. 1
2022	\$21,220,000	4.000- 5.000%	September 1 2023/2047	March1/ Sept.1

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

As of March 31, 2024, the debt service requirements on bonds outstanding for the next five fiscal years and thereafter through fiscal year 2048 are as follow:

Fiscal Year	Principal	Interest	Total
2025	\$ 8,195,000	\$ 4,955,652	\$ 13,150,652
2026	8,500,000	4,673,863	13,173,863
2027	8,810,000	4,385,134	13,195,134
2028	9,105,000	4,102,914	13,207,914
2029	9,400,000	3,809,212	13,209,212
2030-2034	51,810,000	14,018,610	65,828,610
2035-2039	35,985,000	5,703,093	41,688,093
2040-2044	10,650,000	1,728,388	12,378,388
2045-2048	3,965,000	356,450	4,321,450
	<u>\$ 146,420,000</u>	<u>\$ 43,733,316</u>	<u>\$ 190,153,316</u>

At March 31, 2024, the District has tax bonds authorized by the voters in the amount of \$293,500,000, and issued tax bonds in the amount of \$201,150,000. The Enclave at the Woodlands Defined Area has tax bonds authorized by the voters in the amount of \$10,220,000. As of March 31, 2024, no bonds had been issued related to the Enclave at the Woodlands Defined Area.

As of March 31, 2024, the Debt Service Fund has \$20,234,294 available to service the above bonds. The District is in compliance with all significant bond requirements and restrictions contained in the bond resolutions.

NOTE 10 - AGREEMENT WITH OTHER DISTRICT

The District has entered into an agreement with Harris County Municipal Utility District No. 387 (MUD "387") to provide its customers within Harris County with water and sanitary sewer services to the District. MUD 387 invoices the District for services provided. The District records an intergovernmental payable for amounts due to MUD 387, as applicable, for these services.

Under the terms of the agreement, the District pays its proportionate share of capital and operating costs for reserved capacity in the water supply and waste disposal facilities. Capital payments will come from the proceeds of bonds issued by the District or other legally available funds of the District and will be included as capital assets. Operating costs are recorded as current expenditures in the District's General Fund.

The relationship between MUD 387 and the District is purely contractual. MUD 387 is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the District. The District, together with other area municipal utility districts with similar contracts with MUD 387 (collectively the "Customer Districts"), contracts directly with MUD 387 for required facilities and does not have a contract with other Customer Districts. MUD 387 is not a participating facility user.

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

MUD 387 serves as the sponsor and common provider to each of its Customer Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Customer Districts to receive services.

NOTE 11 - CONTRACT WITH SAN JACINTO RIVER AUTHORITY

The District has contracted with the San Jacinto River Authority ("SJRA") to provide its customers within Montgomery County with water and sanitary sewer services through the planning, construction, operation and maintenance of central water supply and waste disposal facilities. The contract, dated July 26, 2007, and the various supplemental agreements made pursuant thereto, will continue in full force and effect for a forty year period or until the outstanding bonds of the District related thereto are paid in full. Thereafter, the District shall retain a proportionate and equitable ownership interest in the capacity in the facilities.

Under the terms of the agreement, the District pays its proportionate share of capital and operating costs for reserved capacity in the water supply and waste disposal facilities. Capital payments will come from the proceeds of bonds issued by the District or other legally available funds of the District and will be included as capital assets. Operating costs are recorded as current expenditures in the District's General Fund.

As of March 31, 2018, the District has contracted to purchase capacity rights from the SJRA to service 923 single family residential equivalent connections in the Water Supply System and 1,036 single family residential equivalent connections in the Waste Disposal System. The District has paid \$3,495,936 to the SJRA for the purchase of these capacity rights from its pro-rata share of the financing agreements noted above, bonds proceeds capital funds and other District capital funds sources. The sixth and final accounting prepared in 2017 indicated that the District's final contribution total is \$3,312,805 for these rights. Based on the final accounting, \$183,131 was due and paid to the District from SJRA in December 2018.

The relationship between the SJRA and the District is purely contractual. The SJRA is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the District. The District, together with other area municipal utility districts with similar contracts with the SJRA (collectively the "Customer Districts"), contracts directly with the SJRA for required facilities and does not have a contract with other Customer Districts. The SJRA is not a participating facility user.

The SJRA serves as the sponsor and common provider to each of its Customer Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Customer Districts to receive services.

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – DEFINED AREA

On August 5, 2021, the District designated the Enclave at the Woodlands as a defined area ("Enclave at The Woodlands Defined Area"). The designation was approved by the voters at an election held on November 2, 2021. At such election, the voters also authorized the issuance of \$10,220,000 in bonds for the construction and acquisition of facilities and improvements to serve the Enclave at the Woodlands Defined Area, the imposition of defined area taxes sufficient to pay the principal and interest on such bonds, the issuance of up to \$7,060,000 of defined area refunding bonds, and the levy and collection of a defined area operation and maintenance tax not to exceed one dollar per one hundred dollar valuation of taxable property within the Enclave at the Woodlands Defined Area. Any debt issued by the Defined Area will be the sole obligation of the Defined Area. The District assessed a tax rate of \$0.54 per \$100 of assessed valuation in the Defined Area for the 2023 tax year with the entire amount allocated to maintenance and operations. The District has not issued any bonds related to the Defined Area as of March 31, 2024.

NOTE 13 - RISK MANAGEMENT

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

NOTE 14 – SUBSEQUENT EVENT

Subsequent to year end, but before the financial statements were readily available for issuance, the District issued \$5,250,000 Unlimited Tax Bonds Series 2024 and \$6,950,000 Unlimited Tax Park Bonds Series 2024A. Proceeds from the Series 2024 Bonds will be used to finance water, sanitary sewer and drainage facilities. Proceeds from the Series 2024A Park Bonds will be used to finance parks and recreational facilities.

NOTE 15 - UNREIMBURSED DEVELOPER COSTS

As of March 31, 2024, the District has unreimbursed developer costs related to the construction of District facilities of approximately \$15,839,855. Reimbursement to the Developer will come from future bond sales, subject to TCEQ approval and verification by the District's auditor. These projects will be reported in the government-wide financial statements upon completion of construction.

REQUIRED SUPPLEMENTARY INFORMATION

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit C(1)

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended March 31, 2024

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Revenues				
Water service	\$ 3,045,003	\$ 3,045,003	\$ 2,579,617	\$ (465,386)
Sewer service	1,403,000	1,403,000	1,375,199	(27,801)
Surface water conversion	5,968,000	5,968,000	5,147,248	(820,752)
Property taxes	5,145,000	5,145,000	5,836,920	691,920
Penalties and interest	173,500	173,500	138,436	(35,064)
Tap connection & inspection fees	144,000	144,000	433,824	289,824
Interest on investments	851,000	851,000	1,057,086	206,086
Other revenue	50,000	50,000	28,473	(21,527)
Total Revenues	<u>16,779,503</u>	<u>16,779,503</u>	<u>16,596,803</u>	<u>(182,700)</u>
Expenditures				
Current:				
Purchased services	11,770,000	11,770,000	10,889,693	880,307
Professional fees	295,000	295,000	785,004	(490,004)
Contracted services	320,000	320,000	324,886	(4,886)
Repairs and maintenance	1,075,000	1,075,000	1,039,235	35,765
Tap connections & inspections	175,700	175,700	353,081	(177,381)
Administration and other	624,450	624,450	517,770	106,680
Capital outlay	750,000	750,000	228,096	521,904
Total Expenditures	<u>15,010,150</u>	<u>15,010,150</u>	<u>14,137,765</u>	<u>872,385</u>
Change in Fund Balance	1,769,353	1,769,353	2,459,038	(689,685)
Fund Balance - Beginning	18,920,503	18,920,503	18,920,503	
Fund Balance - Ending	<u>\$ 20,689,856</u>	<u>\$ 20,689,856</u>	<u>\$ 21,379,541</u>	<u>\$ (689,685)</u>

Harris-Montgomery Counties
Municipal Utility District No. 386

Exhibit C(2)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was not amended during the year by the Board of Directors.

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TEXAS SUPPLEMENTARY INFORMATION

Harris-Montgomery Counties Municipal Utility District No. 386

SCHEDULE OF SERVICES AND RATES (UNAUDITED)

Year Ended March 31, 2024

1. Services provided by the District:

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

2. Retail Service Providers

a. Retail rates based on 5/8" meter

The most prevalent type of meter (if not a 5/8"):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water*	\$ 7.21	5,000	N	\$ 1.03	5,001-10,000
				\$ 1.55	10,001-15,000
				\$ 1.80	15,001-20,000
				\$ 3.09	20,001-25,000
				\$ 3.35	25,001-30,000
				\$ 3.61	30,001-no limit
Waste**	\$ 11.00	5,000	N	\$ 1.00	5,001-10,000
				\$ -	10,001-no limit

Regional water fee: \$4.83 and \$3.28 per 1,000 gallons for Harris and Montgomery County residents.

*Minimum monthly charge for Montgomery County portion of the district is \$8.00

** Maximum monthly charge is \$16.00

District employs winter averaging for wastewater usage? Yes No X

Total charges per 10,000 gallons usage:

Water \$ 12.36 Wastewater \$ 16.00 Regional Fee: HC \$ 48.30 MC \$ 32.70

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< or = .75"	5,394	5,367	x 1.0	5,367
1"	902	893	x 2.5	2,233
1.5"	103	97	x 5.0	485
2"	101	98	x 8.0	784
3"	9	9	x 15.0	135
4"	3	3	x 25.0	75
6"	6	6	x 50.0	300
8"	7	7	x 80.0	560
12"	7	7	x 115.0	805
Total Water	6,532	6,487		10,744
Total Wastewater	6,268	6,244	x 1.0	6,244

3. Total Water Consumption During the Fiscal Year: (Rounded to the nearest thousand)

Gallons purchased for system:	1,348,972,000	Water Accountability Ratio
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	1,273,859,000	94.4%

4. **Standby Fees** (n/a)

5. **Location of District:**

County(ies) in which District is located. Harris and Montgomery

Is the District located entirely within one county? Yes No

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

City(ies) in which District is located. _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJ's in which District is located. City of Houston

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

If yes, by whom? _____

Harris-Montgomery Counties
Municipal Utility District No. 386

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

Year Ended March 31, 2024

Professional Fees:

Auditing	\$ 14,250
Legal	128,133
Engineering	642,621
	785,004

Purchased Services For Resale:

Bulk Water and Wastewater Service Purchases	10,889,693
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Contracted Services:

Bookkeeping	73,340
Billing and Service Fees	251,546
	324,886

Utilities

Repairs and Maintenance	1,039,235
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Administrative Expenditures:

Directors Fees	13,656
Office Supplies and Expenses	98,406
Insurance	11,451
Other Administrative Expenditures	394,257
	517,770

Tap Connections and Inspections	353,081
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Capital Outlay	228,096
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Total Expenditures	\$ 14,137,765
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	Full-Time	Part-Time
Number of employees employed by the District:	0	0

Harris-Montgomery Counties
Municipal Utility District No. 386

TSI-3

SCHEDULE OF TEMPORARY INVESTMENTS

Year Ended March 31, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>General Fund</u>					
Texas Class		Variable	N/A	\$ 20,913,448	\$
Certificate of deposit	440056340	5.50%	9/13/2024	235,000	496
Total General Fund				<u>21,148,448</u>	<u>496</u>
<u>Debt Service Fund</u>					
Texas Class		Variable	N/A	17,830,092	
Certificate of deposit	9009005399	5.39%	8/9/2024	235,000	8,155
Total Debt Service Fund				<u>18,065,092</u>	<u>8,155</u>
<u>Capital Projects Fund</u>					
Texas Class		Variable	N/A	22,701,698	
Total Capital Projects Fund				<u>22,701,698</u>	
Total - All Funds				<u>\$ 61,915,238</u>	<u>\$ 8,651</u>

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Harris-Montgomery Counties Municipal Utility District No. 386

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

March 31, 2024

	Debt Service Taxes	Maintenance Taxes	Total
Taxes receivable - Beginning of Year	\$ 609,515	\$ 235,830	\$ 845,345
Adjustments	(48,125)	(19,556)	(67,681)
Adjusted taxes receivable	561,390	216,274	777,664
2023 Original Tax Levy	14,296,428	5,873,043	20,169,471
Adjustments and corrections	23,196	9,424	32,620
Adjusted Tax Levy	14,319,624	5,882,467	20,202,091
Total to be Accounted for	14,881,014	6,098,741	20,979,755
<u>Tax Collections</u>			
Current year	13,748,139	5,647,667	19,395,806
Prior years	489,280	189,253	678,533
Total Collections	14,237,419	5,836,920	20,074,339
Taxes Receivable - End of Year	\$ 643,595	\$ 261,821.00	\$ 905,416

Taxes Receivable - By Tax Years

2023	\$ 571,487	\$ 234,798	\$ 806,285
2022	40,385	15,533	55,918
2021	8,926	4,742	13,668
2020 and prior	22,797	6,748	29,545
Taxes Receivable - End of Year	\$ 643,595	\$ 261,821	\$ 905,416

Assessed

Property Valuations

	2023	2022	2021	2020
District Wide	\$ 4,474,882,724	\$ 4,064,311,822	\$ 3,473,494,191	\$ 3,155,336,821
Defined Area	12,058,990	3,200,024		
Total	\$ 4,486,941,714	\$ 4,067,511,846	\$ 3,473,494,191	\$ 3,155,336,821

Tax Rates Per \$100

Valuations

Debt service	\$ 0.320	\$ 0.325	\$ 0.320	\$ 0.320
Maintenance and operations	0.130	0.125	0.170	0.170
Total District Wide	0.450	0.450	0.490	0.490
Maintenance - Defined Area	0.540	0.540		
Adjusted Tax Levy	\$ 20,202,091	\$ 18,306,683	17,020,122	\$ 15,461,150

**Percent of Taxes Collected
to Taxes Levied**

96.0%	99.7%	99.9%	99.8%
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Maximum Tax Rate Approved by Voters
for Operations and Maintenance:

District	\$ 1.25	on	11/7/2006
Defined Area	\$ 1.00	on	11/02/2021

Harris-Montgomery Counties Municipal Utility District No. 386

LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS

March 31, 2024

Due During Fiscal Year End March 31	All Series			Unlimited Tax Bonds Series 2014		
	Principal	Interest	Total	Principal	Interest	Total
		\$				
2025	\$ 8,195,000	\$ 4,955,652	\$ 13,150,652	\$ 935,000	\$ 669,719	\$ 1,604,719
2026	8,500,000	4,673,863	13,173,863	980,000	640,381	1,620,381
2027	8,810,000	4,385,134	13,195,134	1,030,000	608,330	1,638,330
2028	9,105,000	4,102,914	13,207,914	1,075,000	573,453	1,648,453
2029	9,400,000	3,809,212	13,209,212	1,130,000	535,537	1,665,537
2030	9,705,000	3,491,944	13,196,944	1,180,000	494,375	1,674,375
2031	10,025,000	3,157,052	13,182,052	1,240,000	448,187	1,688,187
2032	10,345,000	2,815,457	13,160,457	1,295,000	397,488	1,692,488
2033	10,695,000	2,463,473	13,158,473	1,360,000	344,387	1,704,387
2034	11,040,000	2,090,684	13,130,684	1,425,000	288,688	1,713,688
2035	11,400,000	1,697,494	13,097,494	1,490,000	230,387	1,720,387
2036	8,115,000	1,359,942	9,474,942	1,560,000	169,388	1,729,388
2037	6,935,000	1,100,185	8,035,185	1,635,000	104,466	1,739,466
2038	5,585,000	866,510	6,451,510	1,715,000	35,372	1,750,372
2039	3,950,000	678,963	4,628,963			
2040	4,035,000	523,260	4,558,260			
2041	2,160,000	402,825	2,562,825			
2042	1,795,000	326,203	2,121,203			
2043	1,330,000	264,625	1,594,625			
2044	1,330,000	211,475	1,541,475			
2045	1,325,000	158,450	1,483,450			
2046	880,000	110,000	990,000			
2047	880,000	66,000	946,000			
2048	880,000	22,000	902,000			
	<u>\$ 146,420,000</u>	<u>\$ 43,733,316</u>	<u>\$ 190,153,316</u>	<u>\$ 18,050,000</u>	<u>\$ 5,540,158</u>	<u>\$ 23,590,158</u>

	Unlimited Tax Bonds Series 2014A			Unlimited Tax Refunding Bonds Series 2015R		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 930,000	\$ 748,412	\$ 1,678,412	\$ 1,025,000	\$ 473,288	\$ 1,498,288
2026	975,000	721,581	1,696,581	1,080,000	431,188	1,511,188
2027	1,025,000	691,581	1,716,581	1,130,000	386,988	1,516,988
2028	1,070,000	660,156	1,730,156	1,190,000	346,538	1,536,538
2029	1,120,000	626,606	1,746,606	1,230,000	310,237	1,540,237
2030	1,175,000	590,012	1,765,012	1,275,000	272,663	1,547,663
2031	1,230,000	550,163	1,780,163	1,320,000	232,912	1,552,912
2032	1,290,000	506,831	1,796,831	1,365,000	190,106	1,555,106
2033	1,350,000	460,631	1,810,631	1,420,000	143,962	1,563,962
2034	1,415,000	412,244	1,827,244	1,470,000	90,600	1,560,600
2035	1,485,000	360,566	1,845,566	1,530,000	30,600	1,560,600
2036	1,555,000	304,494	1,859,494			
2037	1,625,000	244,869	1,869,869			
2038	1,705,000	180,300	1,885,300			
2039	1,785,000	110,500	1,895,500			
2040	1,870,000	37,400	1,907,400			
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
	<u>\$ 21,605,000</u>	<u>\$ 7,206,346</u>	<u>\$ 28,811,346</u>	<u>\$ 14,035,000</u>	<u>\$ 2,909,082</u>	<u>\$ 16,944,082</u>

Harris-Montgomery Counties
Municipal Utility District No. 386

LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS

March 31, 2024

Due During Fiscal Year End March 31	Unlimited Tax Bonds Series 2020			Unlimited Tax Bonds Series 2020A		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 450,000	\$ 177,575	\$ 627,575	\$ 990,000	\$ 359,313	\$ 1,349,313
2026	450,000	172,513	622,513	1,040,000	323,662	1,363,662
2027	450,000	165,200	615,200	1,090,000	291,963	1,381,963
2028	450,000	156,200	606,200	1,125,000	269,812	1,394,812
2029	450,000	147,200	597,200	1,160,000	246,963	1,406,963
2030	450,000	138,200	588,200	1,200,000	223,362	1,423,362
2031	450,000	129,200	579,200	1,240,000	198,963	1,438,963
2032	450,000	120,200	570,200	1,280,000	173,763	1,453,763
2033	445,000	111,250	556,250	1,325,000	146,056	1,471,056
2034	445,000	102,350	547,350	1,370,000	115,738	1,485,738
2035	445,000	93,450	538,450	1,410,000	84,463	1,494,463
2036	445,000	84,550	529,550	1,455,000	52,231	1,507,231
2037	445,000	75,650	520,650	1,510,000	17,931	1,527,931
2038	445,000	66,750	511,750			
2039	445,000	57,850	502,850			
2040	445,000	48,950	493,950			
2041	445,000	40,050	485,050			
2042	445,000	31,150	476,150			
2043	445,000	22,250	467,250			
2044	445,000	13,350	458,350			
2045	445,000	4,450	449,450			
2046						
2047						
2048						
	<u>\$ 9,385,000</u>	<u>\$ 1,958,338</u>	<u>\$ 11,343,338</u>	<u>\$ 16,195,000</u>	<u>\$ 2,504,220</u>	<u>\$ 18,699,220</u>

Unlimited Tax Bonds Series 2022			
	Principal	Interest	Total
2025	\$ 885,000	\$ 963,650	\$ 1,848,650
2026	885,000	928,250	1,813,250
2027	885,000	892,850	1,777,850
2028	885,000	857,450	1,742,450
2029	885,000	817,625	1,702,625
2030	885,000	773,375	1,658,375
2031	885,000	733,550	1,618,550
2032	885,000	698,150	1,583,150
2033	885,000	662,750	1,547,750
2034	885,000	626,244	1,511,244
2035	885,000	588,632	1,473,632
2036	885,000	549,913	1,434,913
2037	885,000	507,875	1,392,875
2038	885,000	463,625	1,348,625
2039	885,000	419,375	1,304,375
2040	885,000	375,125	1,260,125
2041	885,000	330,875	1,215,875
2042	885,000	286,625	1,171,625
2043	885,000	242,375	1,127,375
2044	885,000	198,125	1,083,125
2045	880,000	154,000	1,034,000
2046	880,000	110,000	990,000
2047	880,000	66,000	946,000
2048	880,000	22,000	902,000
	<u>\$ 21,220,000</u>	<u>\$ 12,268,438</u>	<u>\$ 33,488,438</u>

Harris-Montgomery Counties Municipal Utility District No. 386

CHANGE IN GENERAL LONG-TERM BONDED DEBT

March 31, 2024

	Unlimited Tax Bonds				
	Series 2014	Series 2014A	Series 2015R	Series 2015A	Series 2016R
Interest rate	3.0 - 4.125%	2.5 - 4.0%	2.0 - 4.0%	2.0 - 3.625%	2.0 - 4.0%
Dates interest payable	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1
Maturity dates	9/1/18-9/1/37	9/1/18-9/1/39	9/1/18-9/1/34	9/1/18-9/1/40	9/1/18-9/1/35
Original Issue	\$ 24,785,000	\$ 28,470,000	\$ 15,855,000	\$ 9,150,000	\$ 25,570,000
Callable Date	9/1/22	9/1/22	9/1/26	9/1/24	9/1/26
Beginning bonds outstanding	\$ 18,945,000	\$ 22,495,000	\$ 15,015,000	\$ 6,570,000	\$ 18,975,000
Bonds sold during the year					
Bonds retired during the year					
Principal retirements	(895,000)	(890,000)	(980,000)	(365,000)	(1,210,000)
Ending bonds outstanding	<u>\$ 18,050,000</u>	<u>\$ 21,605,000</u>	<u>\$ 14,035,000</u>	<u>\$ 6,205,000</u>	<u>\$ 17,765,000</u>
Interest paid during the fiscal year	<u>\$ 697,168</u>	<u>\$ 771,743</u>	<u>\$ 513,388</u>	<u>\$ 201,206</u>	<u>\$ 734,800</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Co., N.A.</u>			<u>Dallas, TX</u>	

Bond Authority:	Defined Area	
	Tax Bonds*	Tax Bonds
Amount authorized by voters*	\$ 293,500,000	\$ 10,220,000
Amount issued	\$ 201,150,000	\$
Remaining to be issued**	\$ 92,350,000	\$ 10,220,000

* Includes all bonds secured with tax revenues. Includes \$282,000,000 of bonds for water, sanitary sewer and storm drainage purposes (of which \$201,150,000 have been issued) and \$11,500,000 of bonds for recreational facilities (none of which have been issued).

Debt Service Fund cash and temporary investments balances at the end of the fiscal year:	<u>\$ 21,121,684</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 7,923,055</u>

<u>Series 2017R</u>	<u>Series 2018</u>	<u>Series 2020</u>	<u>Series 2020A</u>	<u>Series 2022</u>	<u>Total</u>
2.0 - 4.0%	2.0 - 3.625%	1.0 - 2.0%	2.0 - 4.0%	4.0 - 5.0%	
3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	3/1;9/1	
9/1/18-9/1/35	9/1/19-9/1/41	9/1/20-9/1/44	9/1/21-9/1/36	9/1/23-9/1/47	
\$ 15,520,000	\$ 10,800,000	11,180,000	18,110,000	22,100,000	
9/1/26	9/1/25	9/1/26	9/1/26	9/1/29	
\$ 14,350,000	\$ 8,920,000	\$ 9,835,000	\$ 17,150,000	\$ 22,100,000	\$ 154,355,000
<u>(840,000)</u>	<u>(470,000)</u>	<u>(450,000)</u>	<u>(955,000)</u>	<u>(880,000)</u>	<u>(7,935,000)</u>
<u>\$ 13,510,000</u>	<u>\$ 8,450,000</u>	<u>\$ 9,385,000</u>	<u>\$ 16,195,000</u>	<u>\$ 21,220,000</u>	<u>\$ 146,420,000</u>
<u>\$ 465,938</u>	<u>\$ 264,013</u>	<u>182,075</u>	<u>383,713</u>	<u>998,950</u>	<u>\$ 5,212,994</u>

Harris-Montgomery Counties Municipal Utility District No. 386

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
<u>General Fund Revenues</u>					
Water and sewer service	\$ 9,102,064	\$ 9,774,814	\$ 7,443,221	\$ 7,819,619	\$ 6,774,749
Property taxes	5,836,920	4,999,818	5,922,260	5,175,918	4,670,663
Penalties and interest	138,436	145,612	117,408	33,011	65,335
Tap connection fees	433,824	174,901	393,392	291,338	904,366
Interest and other	1,085,559	431,953	67,367	149,403	301,133
Total Revenues	<u>16,596,803</u>	<u>15,527,098</u>	<u>13,943,648</u>	<u>13,469,289</u>	<u>12,716,246</u>
<u>General Fund Expenditures</u>					
Current	13,909,669	14,112,433	10,247,235	12,979,376	10,046,790
Capital outlay	228,096			801	212,052
Total Expenditures	<u>14,137,765</u>	<u>14,112,433</u>	<u>10,247,235</u>	<u>12,980,177</u>	<u>10,258,842</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ 2,459,038</u>	<u>\$ 1,414,665</u>	<u>\$ 3,696,413</u>	<u>\$ 489,112</u>	<u>\$ 2,457,404</u>
<u>Debt Service Fund Revenues</u>					
Property taxes	\$ 14,237,419	\$ 13,043,981	\$ 11,318,333	\$ 10,071,519	\$ 9,957,103
Penalties and interest	145,688	85,082	128,053	104,454	87,954
Interest and other	743,752	344,559	23,841	88,060	336,522
Total Revenues	<u>15,126,859</u>	<u>13,473,622</u>	<u>11,470,227</u>	<u>10,264,033</u>	<u>10,381,579</u>
<u>Debt Service Fund Expenditures</u>					
Current	237,954	235,015	201,584	195,732	197,518
Debt service	13,155,219	11,472,810	11,173,925	11,329,810	10,520,162
Total Expenditures	<u>13,393,173</u>	<u>11,707,825</u>	<u>11,375,509</u>	<u>11,525,542</u>	<u>10,717,680</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ 1,733,686</u>	<u>\$ 1,765,797</u>	<u>\$ 94,718</u>	<u>\$ (1,261,509)</u>	<u>\$ (336,101)</u>
Total Active Retail					
Water Connections	<u>6,487</u>	<u>6,391</u>	<u>6,369</u>	<u>6,268</u>	<u>6,118</u>
Total Active Retail					
Wastewater Connections	<u>6,244</u>	<u>6,161</u>	<u>6,134</u>	<u>6,070</u>	<u>5,893</u>

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
54.8 %	63.0 %	53.4 %	58.1 %	53.3 %
35.2	32.2	42.5	38.4	36.7
0.8	0.9	0.8	0.2	0.5
2.6	1.1	2.8	2.2	7.1
6.6	2.8	0.5	1.1	2.4
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
83.8	90.9	73.5	96.4	79.0
1.4				1.7
<u>85.2</u>	<u>90.9</u>	<u>73.5</u>	<u>96.4</u>	<u>80.7</u>
<u>14.8 %</u>	<u>9.1 %</u>	<u>26.5 %</u>	<u>3.6 %</u>	<u>19.3 %</u>
94.1 %	96.8 %	98.7 %	98.1 %	95.9 %
1.0	0.6	1.1	1.0	0.8
4.9	2.6	0.2	0.9	3.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1.6	1.7	1.8	1.9	1.9
87.0	85.2	97.4	110.4	101.3
<u>88.6</u>	<u>86.9</u>	<u>99.2</u>	<u>112.3</u>	<u>103.2</u>
<u>11.4 %</u>	<u>13.1 %</u>	<u>0.8 %</u>	<u>(12.3) %</u>	<u>(3.2) %</u>

Harris-Montgomery Counties Municipal Utility District No. 386

TSI-8

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

March 31, 2024

Complete District Mailing Address: 1300 Post Oak Blvd., Suite 2400
 District Business Telephone Number: (713) 623-4531
 Submission date of most recent District Registration Form
 (TWC Sections 36.054 and 49.054): 5/23/2024
 Limit on Fees of Office that a Director may receive during a fiscal year
 (Set by Board Resolution - TWC Section 49.6000): \$ 7,200

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * 03/31/24</u>	<u>Expense Reimburse- ments 03/31/24</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Emil Jacobs	Elected 5/20-5/24	\$ 4,266	\$	President
Chris Boyer	Elected 5/22-5/26	2,218		Vice-President
Anthony Compofelice	Elected 5/20-5/24	1,918		Secretary/Treasurer
Eric Polite	Elected 5/20-5/24	1,776		Assistant Vice President
Penny Prater	Elected 5/22-5/26	2,490		Assistant Secretary/ Treasurer
<u>Consultants:</u>				
Schwartz, Page & Harding L.L.P.	6/26/2003	\$ 141,712	\$ 3,692	Attorney
Schwartz, Page & Harding L.L.P.	6/26/2003			Bond Counsel
Municipal Accounts & Consulting, L.P.	6/26/2003	73,340	4,896	Bookkeeper
Harris County Appraisal District	Legislative	137,713		Central Appraisal District
Montgomery Central Appraisal District	Legislative	12,167		Central Appraisal District
IDS Engineering Group	3/1/2012	439,842		Engineer
Knox Cox & Co., L.L.P.	6/1/2007	14,250		Independent Auditor
Municipal District Services, LLC	2/1/2009	240,483	1,144,704	Operator
Ad Valorem Appraisals, Inc.	6/21/2005	81,846		Tax Assessor/Collector

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

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN