

**OFFICIAL STATEMENT DATED MARCH 19, 2025**

**IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2023. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.**

The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) ..... “AA”  
S&P Global Ratings (Underlying) ..... “A-”  
See “MUNICIPAL BOND INSURANCE” and “RATINGS”

**\$2,900,000**

**LOUETTA ROAD UTILITY DISTRICT**

(A Political Subdivision of the State of Texas Located in Harris County)

**UNLIMITED TAX BONDS**

**SERIES 2025**

**Dated Date: April 1, 2025**

**Interest accrues from: Date of Delivery**

**Due: September 1, as shown on inside cover**

The \$2,900,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), are obligations of Louetta Road Utility District (the “District”) and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas, or the City of Houston, Texas, is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar”). The Bonds will be dated April 1, 2025, and interest on the Bonds accrues from the date of delivery which is expected to be on or about April 16, 2025 (the “Date of Delivery”), 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 prior redemption. The Bonds will be issued only in fully registered form in principal denominations of \$5,000 or any integral multiples thereof.

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

**See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on inside cover.**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”).**



The Bonds, when issued, will constitute 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 against all taxable property within the District. See “THE BONDS – Source of Payment.” The Bonds are subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

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 Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about April 16, 2025.

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

### \$2,900,000 Unlimited Tax Bonds, Series 2025

#### \$365,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 545898 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 545898 (b)
2026	\$65,000	4.000%	3.000%	CW6	2029	\$75,000	4.000%	3.150%	CZ9
2027	70,000	5.000%	3.050%	CX4	2030	80,000	4.000%	3.200%	DA3
2028	75,000	5.000%	3.100%	CY2					

#### \$2,535,000 Term Bonds

\$165,000 Term Bond Due September 1, 2032 (c)(d), Interest Rate: 3.250% (Price: \$98.384) (a), CUSIP No. 545898 DC9 (b)  
 \$185,000 Term Bond Due September 1, 2034 (c)(d), Interest Rate: 3.500% (Price: \$98.424) (a), CUSIP No. 545898 DE5 (b)  
 \$200,000 Term Bond Due September 1, 2036 (c)(d), Interest Rate: 4.000% (Price: \$100.960) (a), CUSIP No. 545898 DG0 (b)  
 \$215,000 Term Bond Due September 1, 2038 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 545898 DJ4 (b)  
 \$235,000 Term Bond Due September 1, 2040 (c)(d), Interest Rate: 4.000% (Price: \$98.303) (a), CUSIP No. 545898 DL9 (b)  
 \$255,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 4.000% (Price: \$95.759) (a), CUSIP No. 545898 DN5 (b)  
 \$280,000 Term Bond Due September 1, 2044 (c)(d), Interest Rate: 4.250% (Price: \$97.416) (a), CUSIP No. 545898 DQ8 (b)  
 \$305,000 Term Bond Due September 1, 2046 (c)(d), Interest Rate: 4.250% (Price: \$96.585) (a), CUSIP No. 545898 DS4 (b)  
 \$335,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.250% (Price: \$95.983) (a), CUSIP No. 545898 DU9 (b)  
 \$360,000 Term Bond Due September 1, 2050 (c)(d), Interest Rate: 4.500% (Price: \$100.000) (a), CUSIP No. 545898 DW5 (b)

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

## **USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Bacon, Wallace & Philbin, L.L.P., 6363 Woodway Drive, Suite 800, Houston, Texas 77057, upon payment of duplication costs.

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."

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.014053% of the principal amount thereof which resulted in a net effective interest rate of 4.370765%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY 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.

### **Securities Laws**

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, BAM will issue a 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 "APPENDIX B."

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](http://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 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 the 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 December 31, 2024, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$498.6 million, \$253.4 million and \$245.2 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.buildamerica.com](http://www.buildamerica.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 "MUNICIPAL 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://www.bambonds.com/insights/#videos>. (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.

## **RATINGS**

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

The District is not aware of any rating assigned the Bonds other than the ratings discussed above.

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## OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

### THE BONDS

The District.....	Louetta Road Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
The Bonds.....	The District’s \$2,900,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), are dated April 1, 2025, and accrue interest from the date of delivery which is expected to be on or about April 16, 2025 (the “Date of Delivery”), 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 prior redemption. The Bonds mature on September 1 in the years and in the principal amounts set forth on the inside cover page. See “THE BONDS.”
Redemption of the Bonds .....	<p>The Bonds that mature on September 1, 2031, and thereafter, are subject to redemption, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds – <i>Optional Redemption</i>.”</p> <p>The Bonds maturing on September 1, 2026, through September 1, 2030, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2042, 2044, 2046, 2048, and 2050 are term bonds which have mandatory redemption provisions set out herein under “THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption</i>.”</p>
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.
Source of Payment .....	The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located in the District. The Bonds are not obligations of the State of Texas; Harris County, Texas; or the City of Houston, Texas. See “THE BONDS – Source of Payment.”
Outstanding Bonds .....	The District has previously issued two series of waterworks and sewer system combination unlimited tax and revenue bonds and two series of unlimited tax bonds. Of such series of bonds previously issued by the District, no principal amount will remain outstanding as of April 16, 2025.



Payment Record.....	The District has never defaulted in the timely payment of principal of or interest on its prior bonded indebtedness.
Authority for Issuance.....	<p>On April 6, 1973, the District's voters authorized the issuance of \$2,500,000 in waterworks and sewer system combination unlimited tax and revenue bonds and on May 1, 1999, the District's voters authorized \$5,000,000 in unlimited tax bonds and cancelled the remaining \$250,000 unissued bonds from the April 6, 1973 authorization. Following the issuance of the Bonds, no bonds for water, wastewater and drainage facilities will remain authorized but unissued.</p> <p>The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and an election held within the District.</p>
Authorized But Unissued Bonds.....	After the issuance of the Bonds, no unlimited tax bonds will remain authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities to serve the land within the District (the "District Utility System"). See "THE BONDS – Authority for Issuance" and "– Issuance of Additional Debt."
Use of Proceeds .....	Proceeds from the sale of the Bonds will be used to pay the construction costs associated with the projects set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." In addition, proceeds from the sale of the Bonds will be used to pay twelve (12) months of capitalized interest on the Bonds and costs of issuance associated with the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Municipal Bond Insurance .....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings.....	S&P Global Ratings (BAM Insured): "AA." S&P Global Ratings (Underlying): "A-." See "RATINGS."
Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Legal and Tax Opinion.....	Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar .....	The Bank of New York Mellon Trust Company, N.A.

## THE DISTRICT

Description .....	Louetta Road Utility District, a political subdivision of the State of Texas, was created by a special act of the 61st Legislature of the State of Texas, Regular Session, on June 12, 1969, operating pursuant to Chapter 51 of the Texas Water Code, as amended. It was converted to a municipal utility district by Order of the Texas Water Commission dated November 6, 1978. The District is located in Harris County, approximately 22 miles northwest of the central business district of the City of Houston, Texas (the "City") and approximately 0.5 miles southwest of the intersection of Kuykendahl Road and Louetta Road. The District contains approximately 219.2698 acres and is within the exclusive extraterritorial jurisdiction of the City. See "THE DISTRICT - General."
Authority .....	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - General."
Development of the District.....	<p>Approximately 135.15 acres within the District (425 lots) have been developed as the single-family residential subdivision of Terranova, Sections 1-4. As of February 1, 2025, all lots within the District have been fully developed.</p> <p>To date, approximately 46.83 acres in the District have been developed as commercial reserves that include several restaurants, a Wells Fargo, a Worley's Golf Shop, a Kelly's Nails &amp; Spa, a Quick Quack Car Wash, a StillGoode Home Consignments, a Wildflower Family of Florists, a Hurst Collision Works, a Done Right Mobile Mechanic, a Discount Tire, a retail shopping strip, and two (2) retirement communities.</p> <p>The remaining land within the District includes approximately 30.16 acres that are undevelopable, a 0.15-acre lift station, a 5.4-acre easement right-of-way, and a 1.58-acre tract that is owned by Golden Care Cypresswood LP that could potentially be developed in the future. See "STATUS OF DEVELOPMENT OF THE DISTRICT".</p>

## INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

# **SELECTED FINANCIAL INFORMATION**

## **(UNAUDITED)**

2024 Taxable Assessed Valuation.....	\$ 182,549,436	(a)
Direct Debt:		
The Bonds .....	\$ 2,900,000	
Total.....	\$ 2,900,000	
Estimated Overlapping Debt .....	\$ 8,889,994	
Total Direct and Estimated Overlapping Debt .....	\$ 11,789,994	
Direct Debt Ratios:		
As a Percentage of the 2024 Taxable Assessed Valuation.....	1.59	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2024 Taxable Assessed Valuation.....	6.46	%
District Fund Balances as of February 19, 2025		
Debt Service Fund (as of date of delivery) .....	\$ 119,388	(b)
General Operating Fund .....	\$1,434,829	
2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service .....	\$0.0000	
Maintenance & Operation .....	\$0.2309	
Total.....	\$0.2309	
Average Annual Debt Service Requirement (2025–2050) .....	\$183,995	(c)
Maximum Annual Debt Service Requirement (2047) .....	\$195,438	(c)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2025–2050) at 95% Collections		
Based on the 2024 Taxable Assessed Valuation .....	\$0.11	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2047) at 95% Tax Collections		
Based on the 2024 Taxable Assessed Valuation .....	\$0.12	

- 
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Harris Central Appraisal District. Includes \$11,150,822 of uncertified value. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents 12 months of capitalized interest to be deposited at the delivery of the Bonds. Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Debt Service Fund.
- (c) Represents the requirement of debt service on the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

## **LOUETTA ROAD UTILITY DISTRICT**

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

**\$2,900,000**

**Unlimited Tax Bonds**

**Series 2025**

### **INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Louetta Road Utility District (the "District") of its \$2,900,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and an election held within the District.

There follows in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District, c/o Bacon, Wallace & Philbin, L.L.P., 6363 Woodway Drive, Suite 800, Houston, Texas 77057, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

### **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 the form of the Bonds contained in the Bond Order. A copy of the Bond Order may be obtained upon request to Bond Counsel.

The Bonds are dated April 1, 2025, and will mature on September 1 of the years and in the principal amounts set forth on the inside cover page hereof. Principal of the Bonds will be payable at The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery which is expected to be on or about April 16, 2025 (the "Date of Delivery"), with interest payable on September 1, 2025, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and the registered owner(s) of the Bonds (the "Registered Owners"), interest on the Bonds is payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar on or before the Interest Payment Date to the Registered Owners shown on the records of the Paying Agent/Registrar as of the close of business on the fifteenth (15th) day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds are issued only in fully registered form. The Bonds will be issued in denominations of \$5,000 principal amount, or integral multiples thereof.

#### **Book-Entry-Only System**

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

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and*

*Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC

mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

#### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Bondholder at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date.

#### **Assignments, Transfers, and Exchanges**

The Bonds may be transferred, registered, and assigned only on the registration books of the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of delivery, any Bond may be transferred or exchanged upon its presentment and surrender at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer, exchange, or replace the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Paying Agent/Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to issue, transfer, or exchange any Bond during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of

such mailing, or (3) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date.

### **Replacement of Bonds**

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bond at the principal payment office of the Paying Agent/Registrar, currently in Dallas, Texas, or receipt of satisfactory evidence by the Paying Agent/Registrar of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to keep them harmless. Registered Owners of lost, stolen, or destroyed Bonds will be required to pay all costs associated with replacement of such Bonds. The District and the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Authority for Issuance**

On April 6, 1973, the District's voters authorized the issuance of \$2,500,000 in waterworks and sewer system combination unlimited tax and revenue bonds and on May 1, 1999, the District's voters authorized \$5,000,000 in unlimited tax bonds and cancelled the remaining \$250,000 unissued bonds from the April 6, 1973 authorization. Following the issuance of the Bonds, no bonds for water, wastewater and drainage facilities will remain authorized but unissued.

The Bonds are issued pursuant to an order of the TCEQ; the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended; Article XVI, Section 59, of the Texas Constitution, and general laws of the State of Texas; and an election held within the District.

### **Source of Payment**

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on such additional tax bonds or combination tax and revenue bonds of the District as may hereafter be issued by the District, if any, are payable from and secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District.

The Bonds are solely obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District.

### **Redemption of the Bonds**

#### *Optional Redemption*

The District reserves the right, at its option, to redeem the Bonds that mature on September 1, 2031, and thereafter, prior to their scheduled maturities, in whole or in part, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are optionally redeemed at any time, the particular Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if fewer than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC while the Bonds are in Book-Entry-Only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

*Mandatory Redemptions*

The Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, 2042, 2044, 2046, 2048, and 2050 are term bonds (the “Term Bonds”) and the Term Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (each a “Mandatory Redemption Date”), and in the principal amount set forth in the following schedules:

**\$165,000 Term Bond Maturing on September 1, 2032**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2031	\$ 80,000
September 1, 2032 (Maturity)	\$ 85,000

**\$185,000 Term Bond Maturing on September 1, 2034**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2033	\$ 90,000
September 1, 2034 (Maturity)	\$ 95,000

**\$200,000 Term Bond Maturing on September 1, 2036**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$ 100,000
September 1, 2036 (Maturity)	\$ 100,000

**\$215,000 Term Bond Maturing on September 1, 2038**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2037	\$ 105,000
September 1, 2038 (Maturity)	\$ 110,000

**\$235,000 Term Bond Maturing on September 1, 2040**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2039	\$ 115,000
September 1, 2040 (Maturity)	\$ 120,000

**\$255,000 Term Bond Maturing on September 1, 2042**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$ 125,000
September 1, 2042 (Maturity)	\$ 130,000

**\$280,000 Term Bond Maturing on September 1, 2044**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 135,000
September 1, 2044 (Maturity)	\$ 145,000



**\$305,000 Term Bond Maturing on September 1, 2046**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 150,000
September 1, 2046 (Maturity)	\$ 155,000

**\$335,000 Term Bond Maturing on September 1, 2048**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 165,000
September 1, 2048 (Maturity)	\$ 170,000

**\$360,000 Term Bond Maturing on September 1, 2050**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2049	\$ 175,000
September 1, 2050 (Maturity)	\$ 185,000

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

**Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with 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) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption

or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

### **Amendments to Bond Order**

The Bond Order contains provisions that the District may, without consent of or notice to any Registered Owner of the Bonds, amend, change or modify the Bond Order as may be required (a) by the provisions thereof, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (c) in connection with any other change which is not to the prejudice of the Registered Owners of the Bonds. Except for such amendments, changes, or modifications, the District shall not amend, change, or modify the Bond Order in any manner without the consent of the Registered Owners of the Bonds as described in the Bond Order. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

### **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 act in the same capacity as the previous Paying Agent/Registrar. In order to act as registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking corporation organized under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

### **Issuance of Additional Debt**

The District has reserved in the Bond Order the right to issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created and for refunding purposes. The Bonds are issued out of the aggregate \$7,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing the District Utility System and for the refunding of bonds issued by the District for the District Utility System. Following the issuance of the Bonds, the District will have no remaining authorized but unissued unlimited tax bonds from such voted authorization for the District Utility System. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

In addition to the foregoing, the District is authorized by law 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 may not exceed 1% of the District's assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District; (iv) the District obtains any necessary governmental consents, including that of the TCEQ, allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from the net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the TCEQ.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in

the District; (2) approval of the master plan and bonds by the TCEQ; and (3) approval of bonds by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. At this time, the District has no plans to engage in firefighting activities.

### **Annexation and Consolidation**

The District lies within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). Generally, under Texas law, the District may be annexed in whole, but not in part, by the City without the District’s consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system), and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

### **Strategic Partnership Agreement – Limited Purpose Annexation by the City**

The District has entered into a Strategic Partnership Agreement (“SPA”) with the City whereby certain tracts of land containing commercial development were annexed into the City for the limited purpose of applying certain of the City’s planning, zoning, health, and safety ordinances to the commercial businesses. The City imposes a Sales and Use Tax within the annexed tracts on receipts from the sale and use at retail of taxable items at the rate of one percent (1%) or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or fifty percent (50%) of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax revenue to (1) accelerate the development of the District Utility System in the District, (2) accelerate reimbursement to developers for eligible infrastructure development, (3) lower the overall property tax rate to encourage additional development, and (4) perform other District functions that might otherwise be diminished, curtailed, abbreviated or delayed by financial institutions. Any future commercial annexations into the District will not be subject to the SPA.

### **Registered Owners’ Remedies**

The Bond Order provides that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to levy adequate taxes to make such payments or to observe and perform other covenants, obligations or conditions in the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

The Bond Order provides no additional remedies to a Registered Owner. The Bond Order does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on the property within the District or sell property of the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 municipal bankruptcy proceeding by the District could delay or eliminate

payment of principal or interest to the Registered Owners. See “Bankruptcy Limitation to Registered Owners’ Rights” below. Certain traditional legal remedies also may not be available.

### **Bankruptcy Limitation to Registered Owners’ Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. § 901–946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

## Use and Distribution of Bond Proceeds

Proceeds from sale of the Bonds will be used by the District to pay for the construction and non-construction costs set out below. In addition, proceeds from the sale of the Bonds will be used to pay twelve (12) months of capitalized interest on the Bonds and costs of issuance of the Bonds as set forth below.

<b><u>Construction Costs</u></b>	<b><u>District Share</u></b>
A. Developer Contribution Items – None	
B. District Items	
1. Well No. 3 Blended Phosphate Treatment	\$ 4,060
2. Water Plant No. 1 Upgrade Motor Control Center and New Building	412,159
3. Water Plant No. 1 Booster Pumps Replacement (3 pumps)	133,400
4. Water Plant No. 1 Piping & Site Improvements	38,164
5. Well No. 3 Clean, Downhole Treatment, Parts & Pump Replacement	216,786
6. TNWMUD - Water Plant No. 2 Improvements and MCC Replacement	376,307
7. TNWMUD - Water Plant No. 2 Ground Storage Tank Recoating	117,600
8. Bammel - Sludge Dewatering, MCC & Other Improvements	654,965
9. Contingencies (10% of Item Nos. 1, 2, 3, 6, 7 and 8)	169,849
10. Engineering (Item Nos. 1-8)	<u>293,017</u>
Total District Items	\$ 2,416,307
<b><u>Non-Construction Costs</u></b>	
A. Legal Fees	\$ 77,500
B. Fiscal Agent Fees	58,000
C. Capitalized Interest	119,388
D. Bond Discount	86,592
E. Bond Issuance Expenses	51,043
F. Bond Application Report Costs	55,000
G. Attorney General Fee	2,900
H. TCEQ Bond Issuance Fee	7,250
I. Contingency (a)	<u>26,020</u>
Total Non-Construction Costs	\$ 483,693
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$ 2,900,000</b>

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

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

## THE DISTRICT

### General

The District is a utility district which was created by Acts of the 61st Legislature of the State of Texas, Regular Session, June 12, 1969, pursuant to Article 16, Section 59 of the Constitution of the State of Texas operating pursuant to Chapter 51 of the Texas Water Code as amended. The District was converted to a municipal utility district operating pursuant to Chapter 54, Texas Water Code by Order of the Texas Water Commission, dated November 6, 1978.

### Description

The District is located in northwest Harris County approximately 22 miles from Houston's central business district and 0.5 miles southwest of the intersection of Kuykendahl Road and Louetta Road. The District is bounded by Louetta Road to the north, Terranova West to the west, Strack Road to the east and Cypress Creek to the south. The total acreage of the District is 219.2698 acres. The District is accessible via Louetta Road and is located within Klein Independent School District and the exclusive extraterritorial jurisdiction of the City of Houston.

### Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. All of the present members of the Board reside within the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

Name	Title	Term Expires May
Joseph Bennett	President	2026
Samantha Heaten	Vice President/Treasurer	2028
Tammy Prewitt	Secretary	2028
Efren "Bobby" Moreno	Assistant Secretary	2026
Mark Whitten	Assistant Treasurer	2026

The District has also contracted for certain necessary services as follows:

**Tax Assessor/Collector:** The District's Tax Assessor/Collector is Wheeler & Associates, Inc.

**Bookkeeper:** The District's Bookkeeper is Myrtle Cruz, Inc.

**Utility System Operator:** The District's Operator is H2O Innovation (the "Operator").

**Auditor:** The District has contracted McCall Gibson Swedlund Barfoot Ellis, PLLC Certified Public Accountants, to audit its financial records for the fiscal year ended June 30, 2024, which have been included as "APPENDIX A."

**Engineer:** The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Vogler & Spencer, Inc. (the "Engineer").

**Bond Counsel:** The District has engaged Bacon, Wallace & Philbin, L.L.P., Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bacon, Wallace & Philbin, L.L.P. also acts as general counsel for the District.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District for issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor is engaged by the District and has participated in the preparation of the Official Statement, however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties. See "OFFICIAL STATEMENT – Experts."

## **STATUS OF DEVELOPMENT OF THE DISTRICT**

Approximately 135.15 acres within the District (425 lots) have been developed as the single-family residential subdivision of Terranova, Sections 1-4. As of February 1, 2025, all lots within the District have been fully developed.

To date, approximately 46.83 acres in the District have been developed as commercial reserves that include several restaurants, a Wells Fargo, a Worley's Golf Shop, a Kelly's Nails & Spa, a Quick Quack Car Wash, a StillGoode Home Consignments, a Wildflower Family of Florists, a Hurst Collision Works, a Done Right Mobile Mechanic, a Discount Tire, a retail shopping strip, and two (2) retirement communities.

The remaining land within the District includes approximately 30.16 acres that are undevelopable, a 0.15-acre lift station, a 5.4-acre easement right-of-way, and a 1.58-acre tract that is owned by Golden Care Cypresswood LP that could potentially be developed in the future.

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." In the Bond Order, the Board covenants to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "INVESTMENT CONSIDERATIONS." For the 2024 tax year, the District levied a total tax rate of \$0.2309 per \$100 of assessed valuation, which is comprised entirely of maintenance and operations tax rate.

### **Tax Rate Limitation**

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

Maintenance and Operation: .....\$0.25 per \$100 assessed taxable valuation.

### **Debt Service Taxes**

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. For the 2024 tax year, the District did not levy a debt service tax rate. The District intends to levy a debt service tax rate in the 2025 tax year. Such tax is in addition to taxes that the District is authorized to levy for maintenance and operation purposes. See "TAX DATA – Tax Rate Distribution."

### **Maintenance Taxes**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any parity bonds which may be issued in the future. For the

2024 tax year, the District levied a maintenance and operations tax rate of \$0.2309 per \$100 of assessed valuation. Such tax is in addition to taxes that the District is authorized to levy for debt service purposes. See "TAX DATA – Tax Rate Distribution."

### Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES," certain property in the District may be exempt from taxation by the District. The District currently grants a \$5,000 exemption for individuals who qualify as disabled persons and residents over the age of 65. The District does not grant a general residential homestead exemption.

### Historical Tax Collections

The following table illustrates the collection history of the District for the 2019–2024 tax years:

Tax Year	Assessed Valuation	Tax Rate	Adjusted Tax Levy	Collections 3/10/2025
2019	\$ 135,815,062	0.2500	\$ 339,538	99.84%
2020	136,760,625	0.2500	341,902	99.85%
2021	139,750,613	0.2500	349,377	99.85%
2022	158,624,506	0.2500	396,561	99.71%
2023	172,004,129	0.2340	402,490	99.45%
2024	178,584,250	0.2309	412,351	93.63%

### Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2020–2024 tax years.

	2024	2023	2022	2021	2020
Debt Service	\$ 0.0000	\$ 0.0000	\$ 0.0000	\$ 0.0000	\$ 0.0000
Maintenance & Operations	<u>0.2309</u>	<u>0.2340</u>	<u>0.2500</u>	<u>0.2500</u>	<u>0.2500</u>
Total	\$ 0.2309	\$ 0.2340	\$ 0.2500	\$ 0.2500	\$ 0.2500

### Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value as of January 1 for each of the 2020–2024 tax years.

Type of Property	2024 Assessed Valuation (a)	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$ 47,777,523	\$ 51,355,709	\$ 45,436,712	\$ 32,146,501	\$ 32,222,603
Improvements	126,520,071	122,401,734	115,099,825	108,933,338	105,563,668
Personal Property	4,750,909	5,885,244	5,280,920	5,227,817	5,248,488
Exemptions	<u>(7,649,889)</u>	<u>(7,638,558)</u>	<u>(7,192,951)</u>	<u>(6,557,043)</u>	<u>(6,274,134)</u>
Total	\$ 171,398,614	\$ 172,004,129	\$ 158,624,506	\$ 139,750,613	\$ 136,760,625

(a) Does not include \$11,150,822 which represents approximately 80% of value still under protest by the Appraisal District.



## Principal Taxpayers

The following represents the District's principal taxpayers, type of property, and their taxable assessed values as of January 1, 2024:

Taxpayer	Types of Property	Taxable Value 2024 Tax Roll	Percent of District
Ventas Paradise Springs LLC	Land & Improvement	\$12,315,835	7.19%
Bridgewood Wood Glen LLC	Land & Improvement	11,143,599	6.50%
Plaza On Louetta Road Ltd	Land & Improvement	4,636,249	2.70%
Alpha Nutrtrion Inc	Land & Improvement	2,935,703	1.71%
Dhukani Properties Inc	Land & Improvement	2,850,000	1.66%
Petereits Klein Church Shopping Center LLC	Land & Improvement	2,292,626	1.34%
Northwood National Bank	Land & Improvement	1,821,167	1.06%
Qqf Venture LLC	Land & Improvement	1,740,177	1.02%
Karat Inc	Land & Improvement	1,579,101	0.92%
Halle Properties LLC	Land & Improvement	<u>1,546,072</u>	<u>0.90%</u>
Principal Taxpayers Total		\$42,860,529	25.01%

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation that would be required to meet debt service requirements on the Bonds if no growth in the District occurs beyond the taxable assessed valuation as of January 1, 2024 (\$182,549,436). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2025–2050) .....	\$183,995
Debt Service Tax Rate of \$0.11 on the 2024 Taxable Assessed Valuation.....	\$190,764
Maximum Annual Debt Service Requirement (2047).....	\$195,438
Debt Service Tax Rate of \$0.12 on the 2024 Taxable Assessed Valuation.....	\$208,106

## Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2024 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2024 Tax Rate
The District	\$0.230900
Harris County	0.385000
Harris County Department of Education	0.005000
Harris County Flood Control District	0.049000
Harris County Hospital District	0.164000
Klien ISD	1.012000
Lone Star College System	0.108000
Port of Houston Authority	<u>0.006000</u>
Total Tax Rate	\$1.959900

## **THE SYSTEM**

### **Regulation**

According to the Engineer, the District's water distribution, wastewater collection and storm drainage facilities (collectively, the "System") have been designed in accordance with the then criteria of various regulatory agencies including Harris County, Texas, the City and the TCEQ. The construction and installation of the facilities was completed in accordance with the then standards and specifications of such entities. The System has been in operation for a number of years.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency, and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. The following descriptions are based on upon information supplied by the District's Engineer.

### **Description**

#### *Water Source Supply*

The District is a participant in the North Harris County Regional Water Authority. North Harris County Regional Water Authority has entered a contract with the City of Houston to purchase treated surface water. North Harris County Regional Water Authority is required to pay the City of Houston a lump sum payment to help pay the costs associated with construction of the new Northeast Water Purification Plant Expansion. In addition, NHCRWA must construct surface water transmission lines to deliver the treated surface water to participating Districts. All these improvements are detailed in the approved NHCRWA Groundwater Reduction Plan.

The District's water supply is capable of serving 1,332 ESFC's, which is sufficient capacity to serve the 603 ESFC's currently being served in the District. The District's total water well capacity comes from the District's 58% ownership of Water Plant No. 1 (967 ESFC's from the District's Well); and the District's 42% ownership of Water Plant No. 2 (365 ESFC's from the Terranova West MUD Well). There is an agreement in place between the District and Terranova West MUD that describes shared ownership of the abovementioned facilities.

Additionally, the District is located within the North Harris Regional Water Authority ("Authority") which is required by the Harris-Galveston Subsidence District's 1999 Regulatory Plan, as amended, to implement a Groundwater Reduction Plan (GRP) to at least 30% surface water by the year 2010, 60% by the year 2025, and 80% by the year 2035. As required by the GRP, the District has begun receiving surface water from the Authority. This surface water is first delivered to Terranova West Municipal Utility District's Water Plant No. 2, then delivered to the District's Water Plant No. 1, and then distributed to the District. The Authority has an agreement with the City of Houston for surface water; however, there is no contract between the Authority and the participating districts for the surface water provided. The Authority charges fees for the surface water delivered by the Authority and for groundwater pumped by the various well owners. The fees are passed through to the District's customers based on the amount of water delivered.

#### *Wastewater Treatment*

The District is a participant in the Bammel Regional Wastewater Treatment Plant. The Bammel Regional Wastewater Treatment Plant treats sewage from the District. The District's wastewater supply capacity is capable of serving 837 ESFC's, which is sufficient to serve the 603 ESFC's necessary to support the feasibility of this proposed bond issue.

#### *Stormwater Drainage Facilities*

The District is located within the Cypress Creek watershed, and most of the land naturally drains toward Cypress Creek, which borders the southeast side of the District. Rainfall runoff flows through the underground storm sewer systems into the Harris County Flood Control Channel K-131-00-00. From there, it moves into Spring Creek, then into the San Jacinto River, the Houston Ship Channel, and eventually reaches the Gulf of America.

## *Floodplain*

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. 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 City area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the FEMA Flood Insurance Rate Map Number 48201C0265M Panel 0265M Dated October 16, 2013, the map indicates that the District has approximately 3.07 acres inside of the 0.2% annual chance floodplain (500-year). The District also has approximately 16.81 acres inside the 100-year floodplain.

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

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## Historical Operations of the System

The following statement sets forth in condensed form the historical results of operation of the District Utility System. Such summary has been prepared based upon information obtained from the District's audited financial statements from the fiscal year ended June 30, 2020, through fiscal year ended June 30, 2024. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	For Fiscal Year Ended June 30				
	2024	2023	2022	2021	2020
<b><u>Revenues</u></b>					
Property Taxes	\$403,315	\$392,554	\$342,087	\$345,892	\$331,145
Water Service	294,104	253,548	218,716	231,023	227,948
Wastewater Service	304,733	280,514	256,901	252,663	259,961
Water Authority Fees	226,114	241,699	223,660	230,746	206,029
Penalty and Interest	14,023	13,802	7,092	9,022	6,355
Connection & Inspection Fees	17,950	6,600	6,600	11,638	86,388
Sales Tax Revenues	93,368	94,716	88,068	75,825	63,988
Water Authority Credits	6,380	6,380	6,380	56,409	104,613
Investment & Miscellaneous Revenues	93,093	73,676	5,021	9,162	13,781
Total Revenues	1,453,080	\$1,363,489	\$1,154,525	\$1,222,380	\$1,300,208
<b><u>Expenditures</u></b>					
Professional Fees	\$161,682	\$134,957	\$102,338	\$122,637	\$99,984
Contracted Services	189,233	151,844	147,584	133,506	137,922
Purchased Water Service	929,302	508,126	369,688	374,913	459,005
Purchased Wastewater Service	291,123	150,892	180,854	198,011	156,958
Water Authority Assessments				17,044	45,301
Repairs and Maintenance	62,341	110,373	59,280	56,440	87,218
Other	79,894	70,280	64,946	75,199	122,282
Capital Outlay:	93,308	59,978	83,794	211,142	352,191
Total Expenditures	\$1,806,883	\$1,186,450	\$1,008,484	\$1,188,892	\$1,460,861
Excess (Deficiency) of Revenues	(353,803)	177,039	146,041	33,488	(160,653)
Transfers In (Out)	-	-	-	-	(4,963)
Net Change in Fund Balance	(353,803)	177,039	146,041	33,488	(165,616)
Fund Balance Beginning of Period	\$1,982,267	\$1,805,228	\$1,659,187	\$1,625,699	\$1,791,315
Fund Balance End of Period	\$1,628,464	\$1,982,267	\$1,805,228	\$1,659,187	\$1,625,699

## DISTRICT DEBT

### General

2024 Taxable Assessed Valuation.....	\$ 182,549,436	(a)
Direct Debt:		
The Bonds .....	\$ 2,900,000	
Total.....	\$ 2,900,000	
Estimated Overlapping Debt .....	\$ 8,889,994	
Total Direct and Estimated Overlapping Debt .....	\$ 11,789,994	
Direct Debt Ratios:		
As a Percentage of the 2024 Taxable Assessed Valuation.....	1.59	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2024 Taxable Assessed Valuation.....	6.46	%
District Fund Balances as of February 19, 2025		
Debt Service Fund (as of date of delivery) .....	\$ 119,388	(b)
General Operating Fund .....	\$1,434,829	
<hr/>		
2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service .....	\$0.0000	
Maintenance & Operation .....	\$0.2309	
Total.....	\$0.2309	
Average Annual Debt Service Requirement (2025–2050) .....	\$183,995	(c)
Maximum Annual Debt Service Requirement (2047) .....	\$195,438	(c)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2025–2050) at 95% Collections		
Based on the 2024 Taxable Assessed Valuation .....	\$0.11	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2047) at 95% Tax Collections		
Based on the 2024 Taxable Assessed Valuation .....	\$0.12	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Harris Central Appraisal District. Includes \$11,150,822 of uncertified value. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents 12 months of capitalized interest to be deposited at the delivery of the Bonds. Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular Sum in the Debt Service Funds.
- (c) Represents the requirement of debt service on the Bonds. See "Service Requirements" herein.

## Debt Service Requirements

The following schedule sets forth the annual debt service requirements of the Bonds.

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2025	\$ -	\$ 44,770	\$ 44,770
2026	65,000	119,388	184,388
2027	70,000	116,788	186,788
2028	75,000	113,288	188,288
2029	75,000	109,538	184,538
2030	80,000	106,538	186,538
2031	80,000	103,338	183,338
2032	85,000	100,738	185,738
2033	90,000	97,975	187,975
2034	95,000	94,825	189,825
2035	100,000	91,500	191,500
2036	100,000	87,500	187,500
2037	105,000	83,500	188,500
2038	110,000	79,300	189,300
2039	115,000	74,900	189,900
2040	120,000	70,300	190,300
2041	125,000	65,500	190,500
2042	130,000	60,500	190,500
2043	135,000	55,300	190,300
2044	145,000	49,563	194,563
2045	150,000	43,400	193,400
2046	155,000	37,025	192,025
2047	165,000	30,438	195,438
2048	170,000	23,425	193,425
2049	175,000	16,200	191,200
2050	185,000	8,325	193,325
<u>Total</u>	<u>\$2,900,000</u>	<u>\$1,883,858</u>	<u>\$4,783,858</u>

Average Annual Debt Service Requirement (2025–2050) ..... \$183,995

Maximum Annual Debt Service Requirement (2047) ..... \$195,438

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## Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in *Texas Municipal Reports* published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined.

Taxing Jurisdiction	Outstanding Debt January 31, 2025	Overlapping	
		Percent	Amount
Harris County	\$2,424,019,039	0.03%	\$624,344
Harris County Department of Education	28,960,000	0.03%	7,457
Harris County Flood Control District	968,445,000	0.03%	254,623
Harris County Hospital District	65,285,000	0.03%	17,162
Klien ISD	1,339,560,000	0.57%	7,597,253
Lone Star College System	507,100,000	0.06%	282,261
Port of Houston Authority	406,509,397	0.03%	106,894
Total Estimated Overlapping Debt .....			\$ 8,889,994
The District (a).....			\$ 2,900,000
Total Direct & Estimated Overlapping Debt (a) .....			\$ 11,789,994

(a) Includes the Bonds.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS – Source of Payment.” Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See “TAX DATA – Tax Rate Limitation.”

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

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

along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of the 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 charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For 2024, the District granted an over 65/disabled exemption of \$5,000. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA." Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse.

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.



## **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 market 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 2024, the District did not grant a general residential homestead exemption.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

The Property Tax Code further provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

## **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 level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code 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.

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

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have

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

#### *Special Taxing Units*

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

#### *Developed Districts*

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

#### *Developing Districts*

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

#### *The District*

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

#### **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser

is required by the Property Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland. For the 2024 tax year, no lands in the District were designated for agricultural use, open space or timberland.

### **Tax Abatement**

The City or Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (after annexation of the area) the City 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 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. To date, none of the area within the District has been designated as a reinvestment zone. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

### **Levy and Collection of Taxes**

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

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

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its 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 also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended.

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any entity other than the District, are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located in the District. See "THE BONDS – Source of Payment." Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

The District makes no representations that over the life of the Bonds the construction of improvements or continued development of taxable values will be sufficient to justify continued payment of taxes by property owners. Further, the District makes no representations that, over the life of the Bonds, the existing property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The valuation of taxable property in the District is directly related to the economics of the residential housing industry as well as those particular factors discussed below.

### **Factors Affecting Taxable Values and Tax Payments**

*Economic Factors:* The rate of continued development within the District is directly related to the vitality of the residential and commercial real estate industries in the Houston metropolitan area. New construction can be significantly affected by factors such as interest rates, credit availability, energy costs, construction costs, unemployment rates, consumer demand, and other general economic conditions. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT OF THE DISTRICT."

The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," for the 2024 tax year, the District's principal taxpayers owned property located within the District the aggregate assessed valuation of which comprised approximately 25.01% of the District's total taxable assessed valuation. In the event that a principal taxpayer or any combination of taxpayers should default in the payment of taxes in an amount which exceeds the District's applicable debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

*Maximum Impact on District Tax Rate:* Assuming no further development or home construction, the value of land, improvements, and other taxable property currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The taxable assessed valuation as of January 1, 2024, of all taxable property located within the District is \$182,549,436. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement (2047) on the Bonds will be \$195,438, and the average annual debt service requirement (2025–2050) on the Bonds will be \$183,995. Assuming no increase to nor decrease from the taxable assessed valuation of the District as of January 1, 2024, tax rates of \$0.12 and \$0.11 per \$100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

### **Potential Impact of Natural Disaster**

The District is located approximately 65 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District or in the remainder of the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District are adversely affected.

### **Potential Effects of Oil Price Volatility 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.

### **Tax Collections Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (c) the taxpayer's right to redeem the property within six months (two years for residential homesteads or agricultural property) after the sheriff's deed issued at a foreclosure sale is filed in the county deed records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. 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 and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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.

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 Orders may not be reduced to a judgment for money damages. If the Registered Owners could obtain a judgment against the District, the judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Bankruptcy Limitation to Registered Owners' Rights." In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

### **Future Debt**

Additional bonds may be issued from time to time as future development occurs. The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations, tax collections, or net revenues to limit the amount of parity bonds that may be issued.

After the issuance of the Bonds, no unlimited tax bonds will remain authorized but unissued from the District's prior voted authorization for financing of the District Utility System. The District reserves in the Bond Order the right to issue such additional bonds as may be hereafter authorized. The District has also reserved the right to issue certain other bonds and obligations described in the Bond Order. See "THE BONDS – Issuance of Additional Debt."

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

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

### **Future and Proposed Legislation**

From time to time, there are Presidential proposals, proposals of various federal agencies, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time

announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

### **Environmental Regulations**

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

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

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

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

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

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

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the

HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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



USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision removed and subsequent regulatory action, 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.

## **2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

## **Bond Insurance Risk Factors**

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

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

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

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

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

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

INSURANCE” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Initial Purchaser a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving 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 Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel (“Bond Counsel”), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District. Bond Counsel’s opinion will also address the matters described below under “TAX MATTERS.”

Bacon, Wallace & Philbin, L.L.P., in its capacity as Bond Counsel, has reviewed the information appearing in this Official Statement under the captions “THE BONDS” (except for the information found under the subcaption “– Book-Entry-Only System”), “THE DISTRICT – General,” and “THE DISTRICT – Management of the District – Bond Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has Bond Counsel conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

### **No Arbitrage**

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

### **No-Litigation Certificate**

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

## **No Material Adverse Change**

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

## **TAX MATTERS**

On the date of initial delivery of the Bonds, Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel, will render the opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Bonds (1) will be excludable from the "gross income" of the holders thereof and (2) is not subject to the alternative minimum tax on individuals. Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds.

In rendering the opinion, Bond Counsel will rely upon (a) the District's federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds, and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Internal Revenue Code of 1986 (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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 result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. 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 the purchase, ownership, or disposition of the Bonds.

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

## **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for certain of the Bonds maturing is less than the maturity amount thereof (the "Original Issue Discount Bonds"). In such event, the difference between the amount payable at the maturity of each Original Issue Discount Bond, and 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. Under existing law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

The federal income tax consequences of the purchase, ownership, 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.

### **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 statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with accumulated earnings and profits and excess passive investment income and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, the 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.

## **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000 for tax-exempt obligations.

The District has designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the Registered Owners 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 subject to amendment to or repeal of same as set forth below. 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") through its Electronic Municipal Market Access System ("EMMA").

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each fiscal year ending in or after 2025.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" 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 fiscal year end is currently June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten 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 the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation of the District, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation, as defined in accordance with the Rule, as amended, of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation, as defined in accordance with the Rule, as amended, of the District, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes 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**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information files with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement in the Bond Order 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 or business of the District, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement in the Bond Order if the United States Securities and Exchange Commission amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein.

## **Compliance with Prior Undertakings**

The District has complied in all material respects with its prior continuing disclosure agreements entered into in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the Operator, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, resolutions, and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Experts**

The information contained in this Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Wheeler & Associates, and the Appraisal District. Such information has been included herein in reliance upon Wheeler & Associates authority as an expert in the field of tax collection and the Appraisal District's authority in the field of tax assessing.

### **Certification as to Official Statement**

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

*[The remainder of this page is intentionally left blank]*

### **Updating of Official Statement**

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

This Official Statement was approved by the Board of Directors of Louetta Road Utility District as of the date shown on the first page thereof.

/s/ Joseph Bennett  
President, Board of Directors  
Louetta Road Utility District

ATTEST:

/s/ Tammy Prewitt  
Secretary, Board of Directors  
Louetta Road Utility District



**APPENDIX A**  
**Financial Statements of the District**

**LOUETTA ROAD UTILITY DISTRICT**  
**HARRIS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2024**

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



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# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

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

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

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Louetta Road Utility District  
Harris County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Louetta Road Utility District (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and Special Revenue Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.





Board of Directors  
Louetta Road Utility District

### **Supplementary Information**

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

October 16, 2024



# **LOUETTA ROAD UTILITY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED JUNE 30, 2024**

Management's discussion and analysis of the financial performance of Louetta Road Utility District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements.

#### **USING THIS ANNUAL REPORT**

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

#### **FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Special Revenue Fund accounts for the joint ownership activities of Water Plant No. 1, Water Plant No. 2, Water Well No. 3 and the District's waste disposal system with Terranova West MUD ("System").

# **LOUETTA ROAD UTILITY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED JUNE 30, 2024**

#### **FUND FINANCIAL STATEMENTS (Continued)**

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

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

#### **NOTES TO THE FINANCIAL STATEMENTS**

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

#### **OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). Budgetary comparison schedules are included as RSI for the General Fund and Special Revenue Fund.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$4,189,274 as of June 30, 2024.

A portion of the District's net position reflects its investment in capital assets which include the District's water and wastewater facilities. The District has conveyed certain drainage assets to Harris County, Texas for maintenance. Those conveyed assets are no longer reflected in the District's financial statements.

**LOUETTA ROAD UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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

A comparative analysis of the Statement of Net Position as of June 30, 2024, and June 30, 2023, is presented below:

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 2,758,688	\$ 2,716,915	\$ 41,773
Capital Assets (Net of Accumulated Depreciation)	<u>2,061,665</u>	<u>1,564,676</u>	<u>496,989</u>
Total Assets	<u>\$ 4,820,353</u>	<u>\$ 4,281,591</u>	<u>\$ 538,762</u>
Total Liabilities	<u>\$ 631,079</u>	<u>\$ 218,511</u>	<u>\$ (412,568)</u>
Net Position:			
Investment in Capital Assets	\$ 2,061,665	\$ 1,564,676	\$ 496,989
Unrestricted	<u>2,127,609</u>	<u>2,498,404</u>	<u>(370,795)</u>
Total Net Position	<u>\$ 4,189,274</u>	<u>\$ 4,063,080</u>	<u>\$ 126,194</u>

The following table provides a summary of the District's operations for the years ending June 30, 2024, and June 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 409,260	\$ 387,440	\$ 21,820
Charges for Services	1,477,367	1,004,320	473,047
Other Revenues	<u>186,461</u>	<u>168,392</u>	<u>18,069</u>
Total Revenues	\$ 2,073,088	\$ 1,560,152	\$ 512,936
Expenses for Services	<u>1,946,894</u>	<u>1,458,139</u>	<u>(488,755)</u>
Change in Net Position	\$ 126,194	\$ 102,013	\$ 24,181
Net Position, Beginning of Year	<u>4,063,080</u>	<u>3,961,067</u>	<u>102,013</u>
Net Position, End of Year	<u>\$ 4,189,274</u>	<u>\$ 4,063,080</u>	<u>\$ 126,194</u>

# LOUETTA ROAD UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JUNE 30, 2024

#### FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2024, were \$1,628,464, a decrease of \$353,803 from the prior year.

The General Fund fund balance decreased by \$353,803, primarily due to operating and capital costs exceeding property tax revenues, sales tax revenues, and service revenues.

The Special Revenue Fund is revenue neutral. Costs incurred are billed to the respective participants on a monthly basis.

#### BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund. The budget was not amended. Actual revenues were \$146,080 higher than budgeted revenues and actual expenditures were \$311,540 more than budgeted expenditures which resulted in a negative budget variance of \$165,460. See the budget to actual comparison for the General Fund for more information.

The Board of Directors adopted a budget for the Special Revenue Fund. Actual revenues and expenditures were \$636,124 more than budgeted. See the budget to actual comparison for the Special Revenue Fund for more information.

#### CAPITAL ASSETS

Capital assets as of June 30, 2024, total \$2,061,665 (net of accumulated depreciation) and include the water and wastewater systems. Current year additions to capital assets included the District's pro-rata share of rehabilitation and improvements to joint facilities. Additional information on the District's capital assets can be found in Note 5 of this report.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 93,308	\$ 28,483	\$ 64,825
Capital Assets Subject to Depreciation:			
Water System	3,005,843	2,488,262	517,581
Wastewater System	2,855,293	2,855,293	
Less Accumulated Depreciation	(3,892,779)	(3,807,362)	(85,417)
Total Net Capital Assets	<u>\$ 2,061,665</u>	<u>\$ 1,564,676</u>	<u>\$ 496,989</u>

**LOUETTA ROAD UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2024**

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Louetta Road Utility District, c/o Bacon, Wallace & Philbin, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057.



**LOUETTA ROAD UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>ASSETS</b>		
Cash	\$ 153,807	\$ 54,109
Investments	1,652,843	
Receivables:		
Property Taxes	13,650	
Penalty and Interest on Delinquent Taxes		
Service Accounts	105,739	
City of Houston	24,857	
Other	13,963	
Due from Participants		164,740
Due from Other Funds		217,921
Prepaid Costs	3,647	
Due from North Harris County Regional Water Authority		8,338
Water Authority Capital Contributions Receivable		
Chloramine Conversion Reimbursement Receivable		
Chloramine Conversion Receivable - Terranova West		
Advance for Water Plant Operations	92,000	
Advance for Wastewater Treatment Plant Operations	14,500	
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 2,075,006</u>	<u>\$ 445,108</u>

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

Total	Adjustments	Statement of Net Position
\$ 207,916	\$	\$ 207,916
1,652,843		1,652,843
13,650		13,650
	2,228	2,228
105,739		105,739
24,857		24,857
13,963		13,963
164,740		164,740
217,921	(217,921)	
3,647		3,647
8,338		8,338
	270,544	270,544
	144,014	144,014
	68,709	68,709
92,000	(29,000)	63,000
14,500		14,500
	93,308	93,308
	1,968,357	1,968,357
<u>\$ 2,520,114</u>	<u>\$ 2,300,239</u>	<u>\$ 4,820,353</u>

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

**LOUETTA ROAD UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 128,391	\$ 395,108
Due to Other Funds	217,921	
Security Deposits	86,580	
Participant Advances		50,000
<b>TOTAL LIABILITIES</b>	<u>\$ 432,892</u>	<u>\$ 445,108</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 13,650</u>	<u>\$ - 0 -</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 3,647	\$
For Water Facilities Operations	92,000	
For Wastewater Treatment Facilities Operations	14,500	
Assigned to 2025 Budget Deficit	1,052,757	
Unassigned	465,560	
<b>TOTAL FUND BALANCES</b>	<u>\$ 1,628,464</u>	<u>\$ - 0 -</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 2,075,006</u>	<u>\$ 445,108</u>
<b>NET POSITION</b>		
Investment in Capital Assets		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 523,499	\$	\$ 523,499
217,921	(217,921)	
86,580		86,580
<u>50,000</u>	<u>(29,000)</u>	<u>21,000</u>
\$ 878,000	\$ (246,921)	\$ 631,079
\$ 13,650	\$ (13,650)	\$ - 0 -
\$ 3,647	\$ (3,647)	\$
92,000	(92,000)	
14,500	(14,500)	
1,052,757	(1,052,757)	
<u>465,560</u>	<u>(465,560)</u>	
\$ 1,628,464	\$ (1,628,464)	\$ - 0 -
<u>\$ 2,520,114</u>		
	\$ 2,061,665	\$ 2,061,665
	<u>2,127,609</u>	<u>2,127,609</u>
	<u>\$ 4,189,274</u>	<u>\$ 4,189,274</u>

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

**LOUETTA ROAD UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

Total Fund Balances - Governmental Funds	\$ 1,628,464
--	--------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not considered current financial resources and, therefore, are not reported as assets in the governmental funds.	483,267
--	---------

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	2,061,665
--	-----------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.	<u>15,878</u>
--	---------------

Total Net Position - Governmental Activities	<u><u>\$ 4,189,274</u></u>
--	----------------------------

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

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**LOUETTA ROAD UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Special Revenue Fund
<b>REVENUES</b>		
Property Taxes	\$ 403,315	\$
Water Service	294,104	939,188
Wastewater Service	304,733	277,277
Water Authority Fees	226,114	
Penalty and Interest	14,023	
Connection and Inspection Fees	17,950	
Sales Tax Revenues	93,368	
Water Authority Credits	6,380	50,029
Investment and Miscellaneous Revenues	93,093	
<b>TOTAL REVENUES</b>	<b>\$ 1,453,080</b>	<b>\$ 1,266,494</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 161,682	\$ 6,860
Contracted Services	189,233	2,048
Purchased Water Service	929,302	
Purchased Wastewater Service	291,123	
Utilities		37,422
Water Authority Assessments		119,502
Repairs and Maintenance	62,341	230,503
Depreciation		
Other	79,894	26,886
Capital Outlay	93,308	843,273
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 1,806,883</b>	<b>\$ 1,266,494</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (353,803)</b>	<b>\$ -0-</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JULY 1, 2023</b>	<b>1,982,267</b>	
<b>FUND BALANCES/NET POSITION - JUNE 30, 2024</b>	<b>\$ 1,628,464</b>	<b>\$ -0-</b>

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

Total	Adjustments	Statement of Activities
\$ 403,315	\$ 5,945	\$ 409,260
1,233,292	(491,998)	741,294
582,010	(137,496)	444,514
226,114		226,114
14,023	1,022	15,045
17,950		17,950
93,368		93,368
56,409	(23,959)	32,450
93,093		93,093
<u>\$ 2,719,574</u>	<u>\$ (646,486)</u>	<u>\$ 2,073,088</u>
\$ 168,542	\$	\$ 168,542
191,281		191,281
929,302	(491,998)	437,304
291,123	(137,496)	153,627
37,422		37,422
119,502		119,502
292,844		292,844
	85,417	85,417
106,780		106,780
936,581	(582,406)	354,175
<u>\$ 3,073,377</u>	<u>\$ (1,126,483)</u>	<u>\$ 1,946,894</u>
\$ (353,803)	\$ 353,803	\$
	126,194	126,194
<u>1,982,267</u>	<u>2,080,813</u>	<u>4,063,080</u>
<u>\$ 1,628,464</u>	<u>\$ 2,560,810</u>	<u>\$ 4,189,274</u>

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



**LOUETTA ROAD UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Governmental Funds	\$ (353,803)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	5,945
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	1,022
---	-------

Governmental funds report repayment of capital contributions and chloramine conversion costs as revenues in the period received. However, in the Statement of Net Position, repayments received reduce long-term receivable balances.	(23,959)
---	----------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(85,417)
--	----------

Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	582,406
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Change in Net Position - Governmental Activities	\$ <u>126,194</u>
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The accompanying notes to the financial  
statements are an integral part of this report.

# **LOUETTA ROAD UTILITY DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **JUNE 30, 2024**

#### **NOTE 1. CREATION OF DISTRICT**

Louetta Road Utility District, located in Harris County, Texas, (the “District”) was created by a special act of the Texas legislature, dated June 12, 1969, in accordance with the Texas Water Code. 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 to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District’s first bonds were sold in 1974. On November 6, 1978 the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the “Commission”), approved the conversion of the District to a municipal utility district.

#### **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District participates with other districts in the operations of joint facilities. See Notes 7 and 8 for further disclosure.

#### **Financial Statement Presentation**

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB” Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

Financial Statement Presentation (Continued)

It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

Fund Financial Statements

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

Governmental Funds

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

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

Special Revenue Fund - To account for the joint ownership of Water Plant No. 1, Water Plant No. 2, Water Well No. 3 and the District's waste disposal system with Terranova West MUD.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end.

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2024, the General Fund owed the Special Revenue Fund \$217,921 for the District's share of operating costs.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs, that extend the life of an asset, are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years.

Budgeting

Budgets are adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The original General Fund budget and Special Revenue Fund budget for the current year were not amended. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund present the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

Measurement Focus (Continued)

Operating statements of governmental fund types report increases and decreases in available spendable resources.

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

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

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District has no committed fund balances.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District assigned \$1,052,757 of its General Fund fund balance to cover the projected June 30, 2025 budget deficit.

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 3. LONG-TERM DEBT**

As of June 30, 2024, the District had authorized but unissued bonds in the amount of \$2,900,000 for utility facilities.

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$207,916 and the bank balance was \$437,294. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 153,807
SPECIAL REVENUE FUND	<u>54,109</u>
TOTAL DEPOSITS	<u><u>\$ 207,916</u></u>

Investments

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act. Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management.

# LOUETTA ROAD UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2024

#### NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

##### Investments (Continued)

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

The District invests in TexSTAR, an external investment pool that is not SEC-registered. JPMorgan Chase and Hilltop Securities manage the daily operations of TexSTAR. TexSTAR measures all of its portfolio assets at amortized cost. As a result, the District also measures its investment in TexSTAR at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexSTAR.

As of June 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	<u>\$ 1,652,843</u>	<u>\$ 1,652,843</u>

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

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexSTAR to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District.

##### Restrictions

All cash of the Special Revenue Fund is restricted for the payment of operating costs of the joint facilities.



**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 5. CAPITAL ASSETS**

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

	July 1, 2023	Increases	Decreases	June 30, 2024
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 28,483	\$ 582,406	\$ 517,581	\$ 93,308
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 2,488,262	\$ 517,581	\$	\$ 3,005,843
Wastewater System	2,855,293			2,855,293
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 5,343,555</u>	<u>\$ 517,581</u>	<u>\$ - 0 -</u>	<u>\$ 5,861,136</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 2,306,347	\$ 24,408	\$	\$ 2,330,755
Wastewater System	1,501,015	61,009		1,562,024
<b>Total Accumulated Depreciation</b>	<u>\$ 3,807,362</u>	<u>\$ 85,417</u>	<u>\$ - 0 -</u>	<u>\$ 3,892,779</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 1,536,193</u>	<u>\$ 432,164</u>	<u>\$ - 0 -</u>	<u>\$ 1,968,357</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 1,564,676</u>	<u>\$ 1,014,570</u>	<u>\$ 517,581</u>	<u>\$ 2,061,665</u>

**NOTE 6. MAINTENANCE TAX**

On September 13, 2003, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended June 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.234 per \$100 of assessed valuation, which resulted in a tax levy of \$403,536 on the adjusted taxable valuation of \$172,452,201 for the 2023 tax year. This maintenance tax is to be used to pay expenditures of operating the District's facilities and for any other lawful purpose.

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

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 7. CONTRACT WITH OTHER DISTRICTS**

The District entered into a 40 year Water Supply and Waste Disposal Contract with Terranova West Municipal Utility District (“Terranova West”) on November 1, 1978. The original Contract was subsequently replaced with the Amended Water Supply and Waste Disposal Contract on September 26, 1985. An Addendum to the 1985 contract was approved on June 30, 1999 and a Second Addendum was approved on March 21, 2002 (“Contract”). On October 17, 2019, the District entered into an Amended Water Supply Facilities Contract and Waste Disposal Contract with Terranova West which replaces and supersedes all of the previous Contracts. The contract shall remain in effect for a period of 40 years from the execution date. Under the terms of the Contract, the District jointly owns Water Plant No. 1, Water Plant No. 2, Water Well No. 3 and the Waste Disposal System with Terranova West. Together, these components constitute one open water distribution system (“System”).

The components of the System are owned by the districts in the following percentages:

Water Plant No. 1	District – 58%; Terranova West – 42%
Water Plant No. 2	Terranova West – 58%; District – 42%
Water Well No. 3	District – 58%; Terranova West – 42%
Waste Disposal System	District – 58%; Terranova West – 42%

Under the terms of the Contract, the District operates Water Plant No. 1, Water Well No. 3 and the Waste Disposal System. Terranova West operates Water Plant No. 2. Each district is required to establish a reserve account for the operation of its respective portion(s) of the System. The District’s reserve account is funded as follows: District contribution - \$29,000; Terranova West contribution - \$21,000. Terranova West’s reserve account was funded as follows: Terranova West contribution - \$87,000; District’s contribution - \$63,000.

Operating costs for the System are split into variable and fixed costs. Fixed costs are defined as costs which do not increase or decrease based on changes in flow, such as operator fees and expenses, bookkeeping, auditing and insurance expenses (excluding pollution liability insurance), plus the costs of any repairs or maintenance in the amount of \$10,000 or more (including associated legal and engineering fees). Fixed operating costs are shared by each district in the ratio of the undivided ownership interest of that district for each component of the System.

Variable operating costs are defined as costs which increase or decrease based on changes in flow, such as chemical, lab, electricity, purchased water and permit expenses, plus the costs of any repairs or maintenance of less than \$10,000 and any other costs which are not fixed are billed in the operating ratio of the number of equivalent single family connections being provided service by that district. Variable operating costs for the Water Plants and Water Well are shared by each district in the ratio of flows to total meter reading at the Plants and Well for each district.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 7. CONTRACT WITH OTHER DISTRICTS (Continued)**

Separate financial statements for Terranova West may be obtained by contacting Terranova West's attorney, Coats Rose, P.C. The following summary financial data for the Special Revenue Fund is presented for the fiscal year ended August 31, 2023, which is the most recently audited financial data.

Total Assets	\$ 265,818
Total Liabilities	<u>265,818</u>
Total Fund Balance	<u><u>\$ -0-</u></u>
 Total Revenues	 \$ 1,185,755
Total Expenditures	<u>1,185,755</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>-0-</u>
Ending Fund Balance	<u><u>\$ -0-</u></u>

The Authority required Terranova West to convert its water systems to chloramine disinfection for as long as it is connected to the North Harris County Regional Water Authority's (the "Authority") system. Terranova West has completed its chloramine system. Its reimbursable cost was \$255,584 with a percentage passed through to the District at 34.36%. The Authority calculated the reimbursement at 6% interest over a 30-year period. Terranova West began receiving chloramine conversion credits on the May 2012 Authority billing. The District's credits earned in the current fiscal year were \$6,380. Of this amount, \$2,130 was a return of principal and \$4,250 was interest.

The following schedule represents only the District's share of future credits to be received.

Fiscal Year	Principal	Interest	Total
2025	\$ 2,257	\$ 4,123	\$ 6,380
2026	2,393	3,987	6,380
2027	2,537	3,843	6,380
2028	2,689	3,691	6,380
2029	2,850	3,530	6,380
2030-2034	17,029	14,871	31,900
2035-2039	22,790	9,110	31,900
2040-2042	<u>16,164</u>	<u>2,562</u>	<u>18,726</u>
	<u><u>\$ 68,709</u></u>	<u><u>\$ 45,717</u></u>	<u><u>\$ 114,426</u></u>

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 8. AGREEMENT FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF A WASTEWATER TREATMENT PLANT**

On October 18, 1979, and as amended September 14, 1981, the District and several participating districts entered into a 40-year contract to provide for the operation and maintenance of a joint wastewater treatment plant and waste disposal system to serve each of the participating districts. Bammel Utility District (“Bammel”) is the administrator district and is responsible for the administration of the contract and plant. The First Amendment to the contract was executed and considered effective by the participating districts as of October 18, 2019. This action extended the term of the contract until October 18, 2059, and continuing thereafter until terminated by any party upon six months written notice to the other parties.

The participants are the owners of the plant, including all enlargements, extensions, or improvements and the participants retain legal title including related improvements, sites, rights-of-way and easements. Each participant owns an undivided interest in the waste disposal system equal to its respective pro-rata share of the capacity in the system relative to the total installed capacity of the system.

Current plant capacity, in gallons per day, and percentage of capacity are as follows:

Participants	Gallons Per Day Capacity	Percent
Bammel Utility District	375,000	25.00%
Louetta Road Utility District	217,500	14.50
Spring Creek Forest Public Utility District	270,000	18.00
Harris County Municipal Utility District No. 44	225,000	15.00
Terranova West Municipal Utility District	300,000	20.00
Harris County Municipal Utility District No. 316	<u>112,500</u>	<u>7.50</u>
Total	<u>1,500,000</u>	<u>100.00%</u>

Participants are billed monthly for their pro-rata share of operating costs. Certain costs defined as fixed costs are allocated to the participants based upon owned capacity in the plant. Currently, such costs include electricity, telephone, audit fees, insurance, permit fees, security and the purchase of water. The remaining costs of operating the system are considered variable costs and are allocated to each participant based upon the number of connections to the system. Investment earnings of the plant are allocated to the participants based upon owned capacity. The District’s current reserve for operation and maintenance of the wastewater treatment plant is \$14,500. The District recorded a total of \$153,627 as its share of operating costs and \$93,308 as its share of capital costs of the plant during the current fiscal year.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 8.      AGREEMENT FOR CONSTRUCTION, OPERATION AND  
MAINTENANCE OF A WASTEWATER TREATMENT PLANT**  
(Continued)

The following summary financial data of the plant is presented for the fiscal year ended November 30, 2023, which is the plant's most recently audited financial data.

Total Assets	\$ 175,937
Total Liabilities	<u>75,937</u>
Total Fund Balance	<u>\$ 100,000</u>
Total Revenues	\$ 1,087,647
Total Expenditures	<u>1,087,647</u>
Net Change in Fund Balance	\$ - 0 -
Beginning Fund Balance	<u>100,000</u>
Ending Fund Balance	<u>\$ 100,000</u>

**NOTE 9.      NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the Authority. The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority has entered into a contract for purchase of surface water from the City of Houston, Texas to assure that its participants comply with the Harris-Galveston Subsidence District ("HGSD") pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of its water use to surface water over a period of time. The Authority currently charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted.

Chloramine Conversion Reimbursement

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine system. The District's reimbursable cost of this system was \$184,134. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits of \$1,115 per month on the May 2012 Authority billing. As of June 30, 2024, the balance receivable is \$144,014.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

Capital Contribution Contract

In 2003, the District executed a Capital Contribution Contract with the Authority. The Authority has secured the supply of surface water from the City of Houston, Texas for the benefit of all the parties in the boundaries of the Authority. The District decided to make a capital contribution for its share of the cost to build Phase I of the 2010 Surface Water Distribution and Transmission System. During a prior fiscal year, the District contributed \$502,895 to the Authority in accordance with this agreement. The District began receiving the capital contribution credits of \$3,054 per month on its 1st quarter 2004 Authority billing. As of June 30, 2024, the balance receivable is \$270,544.

**NOTE 10. RISK ASSESSMENT**

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 from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and no settlements in the past three years.

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT**

Effective November 22, 2013, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston, Texas (“the City”). Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City has annexed a tract of land within the District for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the tract. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District. The taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City may not be levied on taxable property within the District. The City’s municipal courts have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and certain state laws. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibilities of the District during the period preceding full-purpose annexation. The City may not annex the District for full purposes during the term of this agreement. The District will pay an annual \$100 fee to the City for the provision of city services in lieu of full-purpose annexation. The qualified voters of the District may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the District.

**LOUETTA ROAD UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

The City imposes a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the futures amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the District. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller's office. The term of this SPA is 30 years from the effective date of November 22, 2013. During the current fiscal year, the District recorded sales tax revenues of \$93,368.

**LOUETTA ROAD UTILITY DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2024**





**LOUETTA ROAD UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 305,000	\$ 403,315	\$ 98,315
Water Service	300,000	294,104	(5,896)
Wastewater Service	265,000	304,733	39,733
Water Authority Fees	275,000	226,114	(48,886)
Sales Tax Revenues	90,000	93,368	3,368
Investment and Miscellaneous Revenues	<u>72,000</u>	<u>131,446</u>	<u>59,446</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,307,000</u>	<u>\$ 1,453,080</u>	<u>\$ 146,080</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 138,000	\$ 161,682	\$ (23,682)
Contracted Services	148,020	189,233	(41,213)
Purchased Water Service	456,731	929,302	(472,571)
Purchased Wastewater Service	146,567	291,123	(144,556)
Repairs and Maintenance	70,000	62,341	7,659
Other	148,625	79,894	68,731
Capital Outlay	<u>387,400</u>	<u>93,308</u>	<u>294,092</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,495,343</u>	<u>\$ 1,806,883</u>	<u>\$ (311,540)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (188,343)	\$ (353,803)	\$ (165,460)
<b>FUND BALANCE - JULY 1, 2023</b>	<u>1,982,267</u>	<u>1,982,267</u>	<u>                    </u>
<b>FUND BALANCE - JUNE 30, 2024</b>	<u>\$ 1,793,924</u>	<u>\$ 1,628,464</u>	<u>\$ (165,460)</u>

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL –**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Water Service	\$ 563,320	\$ 939,188	\$ 375,868
Wastewater Service	67,050	277,277	210,227
Water Authority Credits	<u>                    </u>	<u>50,029</u>	<u>50,029</u>
<b>TOTAL REVENUES</b>	<u>\$ 630,370</u>	<u>\$ 1,266,494</u>	<u>\$ 636,124</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 7,250	\$ 6,860	\$ 390
Utilities	34,000	37,422	(3,422)
Water Authority Assessments	90,000	119,502	(29,502)
Repairs, Maintenance, Capital Outlay	470,000	230,503	239,497
Other	<u>29,120</u>	<u>28,934</u>	<u>186</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 630,370</u>	<u>\$ 1,266,494</u>	<u>\$ (636,124)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - JULY 1, 2023</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCE - JUNE 30, 2024</b>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**JUNE 30, 2024**



# LOUETTA ROAD UTILITY DISTRICT

## SERVICES AND RATES

### FOR THE YEAR ENDED JUNE 30, 2024

#### 1. SERVICES PROVIDED BY THE DISTRICT:

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

#### 2. RETAIL SERVICE PROVIDERS

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

The rates below are based on the rate order effective June 19, 2024.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate</u>	<u>Rate per 1,000 Gallons over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 12.50	5,000	N	\$ 2.00 \$ 3.00 \$ 3.35 \$ 3.55 \$ 4.90 \$ 6.00	5,001 to 10,000 10,001 to 20,000 20,001 to 35,000 35,001 to 50,000 50,001 to 100,000 100,001 and up
WASTEWATER	\$ 25.00		Y	plus prevailing garbage collection charge, currently \$21.76	
SURCHARGE:					
Water Authority Fees		0,001	N	\$ 3.10	0,001 and up

District employs winter averaging for wastewater usage?

<u>          </u>	<u>  X  </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$22.50 Wastewater: \$46.76 Surcharge: \$31.00

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>433</u>	<u>433</u>	x 1.0	<u>433</u>
1"	<u>14</u>	<u>13</u>	x 2.5	<u>33</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>19</u>	<u>19</u>	x 8.0	<u>152</u>
3"			x 15.0	
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u>471</u>	<u>470</u>		<u>858</u>
Total Wastewater Connections	<u>463</u>	<u>462</u>	x 1.0	<u>462</u>

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

The District jointly owns an open water distribution System with Terranova West (Note 7.) The District billed its customers for 73,627,000 gallons of water. The water accountability ratio for the system is approximately 90%.

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located.

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.



**LOUETTA ROAD UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

PROFESSIONAL FEES:	
Auditing	\$ 13,500
Engineering	85,609
Legal	62,573
TOTAL PROFESSIONAL FEES	<u>\$ 161,682</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 929,302
Purchased Wastewater Service	291,123
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,220,425</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 17,395
Operations and Billing	22,720
Solid Waste Disposal	108,908
Tax Assessment and Collection Costs	40,210
TOTAL CONTRACTED SERVICES	<u>\$ 189,233</u>
REPAIRS AND MAINTENANCE	<u>\$ 62,341</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 20,054
Election Costs	4,130
Insurance	9,889
Office Supplies and Postage	16,255
Travel and Meetings	2,753
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 53,081</u>
CAPITAL OUTLAY	<u>\$ 93,308</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 6,771
Permit Fees and Regulatory Assessments	1,543
Connection, Inspection and Reconnection Fees	7,853
Other	10,646
TOTAL OTHER EXPENDITURES	<u>\$ 26,813</u>
TOTAL EXPENDITURES	<u><u>\$ 1,806,883</u></u>

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**INVESTMENTS**  
**JUNE 30, 2024**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	<u>\$ 1,652,843</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
JULY 1, 2023	\$ 7,705	
Adjustments to Beginning		
Balance	<u>5,724</u>	\$ 13,429
Original 2023 Tax Levy	\$ 380,042	
Adjustment to 2023 Tax Levy	<u>23,494</u>	<u>403,536</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 416,965
TAX COLLECTIONS:		
Prior Years	\$ 9,607	
Current Year	<u>393,708</u>	<u>403,315</u>
TAXES RECEIVABLE -		
JUNE 30, 2024		<u>\$ 13,650</u>
TAXES RECEIVABLE BY		
YEAR:		
2023	\$ 9,828	
2022	1,301	
2021	572	
2020	573	
2019 and prior	<u>1,376</u>	
TOTAL		<u>\$ 13,650</u>

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 51,355,709	\$ 45,436,712	\$ 32,061,824	\$ 32,137,926
Improvements	122,838,788	117,481,420	108,868,098	106,562,184
Personal Property	5,896,292	5,321,767	5,120,770	5,321,245
Exemptions	<u>(7,638,588)</u>	<u>(7,177,976)</u>	<u>(6,433,528)</u>	<u>(6,155,151)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 172,452,201</u>	<u>\$ 161,061,923</u>	<u>\$ 139,617,164</u>	<u>\$ 137,866,204</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.000	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	<u>0.234</u>	<u>0.24</u>	<u>0.25</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.234</u>	<u>\$ 0.24</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>
ADJUSTED TAX LEVY*	<u>\$ 403,536</u>	<u>\$ 386,546</u>	<u>\$ 349,012</u>	<u>\$ 344,664</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>97.56 %</u>	<u>99.66 %</u>	<u>99.84 %</u>	<u>99.83 %</u>

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

Maintenance Tax – maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on September 13, 2003.

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
<b>REVENUES</b>			
Property Taxes	\$ 403,315	\$ 392,554	\$ 342,087
Water Service	294,104	253,548	218,716
Wastewater Service	304,733	280,514	256,901
Water Authority Fees	226,114	241,699	223,660
Penalty and Interest	14,023	13,802	7,092
Connection and Inspection Fees	17,950	6,600	6,600
Sales Tax Revenues	93,368	94,716	88,068
Water Authority Credits	6,380	6,380	6,380
Investment and Miscellaneous Revenues	<u>93,093</u>	<u>73,676</u>	<u>5,021</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,453,080</u>	<u>\$ 1,363,489</u>	<u>\$ 1,154,525</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 161,682	\$ 134,957	\$ 102,338
Contracted Services	189,233	151,844	147,584
Purchased Water Service	929,302	508,126	369,688
Purchased Wastewater Service	291,123	150,892	180,854
Water Authority Assessments			
Repairs and Maintenance	62,341	110,373	59,280
Other	79,894	70,280	64,946
Capital Outlay	<u>93,308</u>	<u>59,978</u>	<u>83,794</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,806,883</u>	<u>\$ 1,186,450</u>	<u>\$ 1,008,484</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (353,803)</u>	<u>\$ 177,039</u>	<u>\$ 146,041</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (353,803)	\$ 177,039	\$ 146,041
<b>BEGINNING FUND BALANCE</b>	<u>1,982,267</u>	<u>1,805,228</u>	<u>1,659,187</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,628,464</u>	<u>\$ 1,982,267</u>	<u>\$ 1,805,228</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
2021	2020	2024	2023	2022	2021	2020	
\$ 345,892	\$ 331,145	27.8 %	28.8 %	29.6 %	28.3 %	25.6 %	
231,023	227,948	20.2	18.6	18.9	18.9	17.5	
252,663	259,961	21.0	20.6	22.3	20.7	20.0	
230,746	206,029	15.6	17.7	19.4	18.9	15.8	
9,022	6,355	1.0	1.0	0.6	0.7	0.5	
11,638	86,388	1.2	0.5	0.6	1.0	6.6	
75,825	63,988	6.4	6.9	7.6	6.2	4.9	
56,409	104,613	0.4	0.5	0.6	4.6	8.0	
9,162	13,781	6.4	5.4	0.4	0.7	1.1	
<u>\$ 1,222,380</u>	<u>\$ 1,300,208</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 122,637	\$ 99,984	11.1 %	9.9 %	8.9 %	10.0 %	7.7 %	
133,506	137,922	13.0	11.1	12.8	10.9	10.6	
374,913	459,005	64.0	37.3	32.0	30.7	35.3	
198,011	156,958	20.0	11.1	15.7	16.2	12.1	
17,044	45,301				1.4	3.5	
56,440	87,218	4.3	8.1	5.1	4.6	6.7	
75,199	122,282	5.5	5.2	5.6	6.2	9.4	
211,142	352,191	6.4	4.4	7.3	17.3	27.1	
<u>\$ 1,188,892</u>	<u>\$ 1,460,861</u>	<u>124.3 %</u>	<u>87.1 %</u>	<u>87.4 %</u>	<u>97.3 %</u>	<u>112.4 %</u>	
\$ 33,488	\$ (160,653)	(24.3) %	12.9 %	12.6 %	2.7 %	(12.4) %	
\$ - 0 -	\$ (4,963)						
\$ 33,488	\$ (165,616)						
<u>1,625,699</u>	<u>1,791,315</u>						
<u>\$ 1,659,187</u>	<u>\$ 1,625,699</u>						

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
<b>REVENUES</b>			
Property Taxes	\$	\$	\$
Penalty and Interest			
Investment and Miscellaneous Revenues			
<b>TOTAL REVENUES</b>	<u>\$ -0-</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$	\$	\$
Debt Service Principal			
Debt Service Interest and Fees			
<b>TOTAL EXPENDITURES</b>	<u>\$ -0-</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -0-</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -0-</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
<b>BEGINNING FUND BALANCE</b>			
<b>ENDING FUND BALANCE</b>	<u><u>\$ -0-</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>470</u>	<u>469</u>	<u>467</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>462</u>	<u>461</u>	<u>459</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues							
<u>2021</u>	<u>2020</u>	<u>2024</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>	<u>2020</u>
\$	\$		%		%		%		%
	<u>69</u>								<u>100.0</u>
<u>\$ - 0 -</u>	<u>\$ 69</u>	<u>N/A</u>	%	<u>N/A</u>	%	<u>N/A</u>	%	<u>N/A</u>	<u>100.0</u> %
\$	\$ 55		%		%		%		79.7 %
	190,000								275,362.3
	<u>4,750</u>								<u>6,884.1</u>
<u>\$ - 0 -</u>	<u>\$ 194,805</u>	<u>N/A</u>	%	<u>N/A</u>	%	<u>N/A</u>	%	<u>N/A</u>	<u>282,326.1</u> %
<u>\$ - 0 -</u>	<u>\$ (194,736)</u>	<u>N/A</u>	%	<u>N/A</u>	%	<u>N/A</u>	%	<u>N/A</u>	<u>(282,226.1)</u> %
<u>\$ -0-</u>	<u>\$ 4,963</u>								
<u>\$ - 0 -</u>	<u>\$ (189,773)</u>								
	<u>189,773</u>								
<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>								
<u>463</u>	<u>464</u>								
<u>459</u>	<u>460</u>								

See accompanying independent auditor's report.



**LOUETTA ROAD UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JUNE 30, 2024**

District Mailing Address - Louetta Road Utility District  
c/o Bacon, Wallace & Philbin, L.L.P.  
6363 Woodway, Suite 800  
Houston, Texas 77057

District Telephone Number - (713) 739-1060

<b>Board Members:</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended June 30, 2024</b>	<b>Expense Reimbursements for the year ended June 30, 2024</b>	<b>Title</b>
Samantha Heaton	05/24 05/28 (Elected)	\$ 3,244	\$ 828	President
Joseph Bennett	05/22 05/26 (Elected)	\$ 3,907	\$ 187	Vice President/ Treasurer
Tammy Prewitt	05/24 05/28 (Elected)	\$ 2,873	\$ -0-	Secretary
Efren Moreno	05/22 05/26 (Elected)	\$ 2,802	\$ -0-	Assistant Treasurer/ Assistant Secretary
Mark Whitten	04/24 05/26 (Appointed)	\$ 884	\$ -0-	Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: June 4, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**LOUETTA ROAD UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JUNE 30, 2024**

	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2024 District</u>	<u>Fees for the year ended June 30, 2024 Special Revenue Fund</u>	<u>Title</u>
<b>Consultants:</b>				
Bacon, Wallace & Philbin, L.L.P.	01/17/91	\$ 66,703	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/21/10	\$ 13,500	\$ 3,000	Auditor
Myrtle Cruz, Inc.	08/23/83	\$ 19,122	\$ -0-	Bookkeeper
Ted Cox, P.C.		\$ 1,771	\$ -0-	Delinquent Tax Attorney
Vogler & Spencer, Inc.	04/15/15	\$ 85,609	\$ 68,573	Engineer
Robert W. Baird & Co. Incorporated	04/15/15	\$ -0-	\$ -0-	Financial Advisor
Mary Jarmon		\$ -0-	\$ -0-	Investment Officer
H2O Innovation	Prior to 07/01/83	\$ 116,678	\$ 309,525	Operator
Wheeler & Associates, Inc.	03/26/87	\$ 26,829	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.



**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



## 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

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN