

OFFICIAL STATEMENT DATED APRIL 3, 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. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

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

NEW ISSUE – BOOK-ENTRY-ONLY

S&P Global Ratings (AG Insured)....."AA"

\$11,225,000

WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

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

UNLIMITED TAX BONDS, SERIES 2025

Dated Date: May 1, 2025

Interest accrues from: Date of Delivery

Due: September 1, as shown on the inside cover

The \$11,225,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") are obligations of Waller County Municipal Utility District No. 19 (the "District") and are not obligations of the State of Texas; Waller County, Texas (the "County"); the City of Brookshire, Texas (the "City"); or any other entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; the County; the City; nor any entity other than the District 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/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated May 1, 2025 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about May 6, 2025 (the "Date of Delivery"), with interest payable September 1, 2025, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple 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, in turn, will 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."

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover.

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

**ASSURED
GUARANTY**

The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing waterworks, wastewater and drainage facilities to serve the District (the "Utility System"), and, 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 upon all taxable property within the District. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to certain risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision.

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about May 6, 2025.

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

\$11,225,000 Unlimited Tax Bonds, Series 2025

\$9,880,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 932452 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 932452 (b)
2031 (c)	\$305,000	6.625%	3.300%	DS1	2041 (c)	\$490,000	4.250%	4.300%	EC5
2032 (c)	320,000	6.625%	3.400%	DT9	2042 (c)	510,000	4.250%	4.350%	ED3
2033 (c)	335,000	6.625%	3.500%	DU6	2043 (c)	535,000	4.375%	4.400%	EE1
2034 (c)	355,000	4.125%	3.700%	DV4	2044 (c)	560,000	4.375%	4.450%	EF8
2035 (c)	370,000	4.125%	3.800%	DW2	2045 (c)	590,000	4.375%	4.500%	EG6
2036 (c)	385,000	4.125%	3.900%	DX0	2046 (c)	615,000	4.375%	4.510%	EH4
2037 (c)	405,000	4.125%	4.000%	DY8	2047 (c)	645,000	4.375%	4.520%	EJ0
2038 (c)	425,000	4.125%	4.125%	DZ5	2048 (c)	675,000	4.375%	4.530%	EK7
2039 (c)	445,000	4.125%	4.150%	EA9	2049 (c)	710,000	4.375%	4.540%	EL5
2040 (c)	465,000	4.250%	4.250%	EB7	2050 (c)	740,000	4.375%	4.550%	EM3

\$1,345,000 Term Bond

\$1,345,000 Term Bond Due September 1, 2030 (d), Interest Rate: 6.625% (Price: \$110.332) (a), CUSIP No. 932452 DR3 (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 purchases. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (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 maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 Bond Counsel upon payment of duplication costs, for further information.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Assured Guaranty Inc. (“AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under 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 which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, 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 for any purpose.

TABLE OF CONTENTS

<p>USE OF INFORMATION IN OFFICIAL STATEMENT.....1</p> <p>SALE AND DISTRIBUTION OF THE BONDS.....3</p> <p style="padding-left: 20px;">Award of the Bonds3</p> <p style="padding-left: 20px;">Prices and Marketability3</p> <p style="padding-left: 20px;">Securities Laws3</p> <p>MUNICIPAL BOND INSURANCE.....3</p> <p style="padding-left: 20px;">Bond Insurance Policy.....3</p> <p style="padding-left: 20px;">Assured Guaranty Inc.3</p> <p>RATING5</p> <p>OFFICIAL STATEMENT SUMMARY6</p> <p>SELECTED FINANCIAL INFORMATION10</p> <p>INTRODUCTION.....11</p> <p>RISK FACTORS.....11</p> <p style="padding-left: 20px;">General.....11</p> <p style="padding-left: 20px;">Factors Affecting Taxable Values and Tax Payments 11</p> <p style="padding-left: 20px;">Future Debt.....13</p> <p style="padding-left: 20px;">Tax Collections Limitations.....13</p> <p style="padding-left: 20px;">Registered Owners’ Remedies.....13</p>	<p>Bankruptcy Limitation to Registered Owners’ Rights.....14</p> <p>Changes in Tax Legislation.....14</p> <p>Potential Effects of Oil Price Fluctuations on the Houston Area.....15</p> <p>Environmental Regulations15</p> <p>Potential Impact of Natural Disaster17</p> <p>Specific Flood Type Risks.....17</p> <p>National Weather Service Atlas 14 Rainfall Study.....17</p> <p>Continuing Compliance with Certain Covenants17</p> <p>Marketability.....18</p> <p>Approval of the Bonds.....18</p> <p>2025 Legislative Session18</p> <p>Bond Insurance Risk Factors.....18</p> <p>THE BONDS.....19</p> <p style="padding-left: 20px;">General.....19</p> <p style="padding-left: 20px;">Book-Entry-Only System.....19</p> <p style="padding-left: 20px;">Successor Paying Agent/Registrar21</p> <p style="padding-left: 20px;">Redemption Provisions.....21</p>
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Outstanding Bonds.....	22	Tax Payment Installments After Disaster	45
Registration, Transfer and Exchange	22	Rollback of Operation and Maintenance Tax Rate	45
Funds.....	23	Levy and Collection of Taxes	46
Record Date for Interest Payment	23	District's Rights in the Event of Tax Delinquencies.....	47
Mutilated, Lost, Stolen or Destroyed Bonds.....	24	LEGAL MATTERS	47
Source of Payment.....	24	Legal Proceedings.....	47
Authority for Issuance.....	24	No-Litigation Certificate.....	48
Issuance of Additional Debt.....	24	No Material Adverse Change	48
No Arbitrage	25	TAX MATTERS.....	48
Dissolution	25	Tax Accounting Treatment of Original Issue Discount	
Consolidation	25	49
Remedies in the Event of Default	25	CONTINUING DISCLOSURE OF INFORMATION	50
Defeasance	26	Annual Reports	50
Legal Investment and Eligibility to Secure Public		Event Notices	50
Funds in Texas.....	27	Availability of Information.....	51
USE AND DISTRIBUTION OF BOND PROCEEDS	28	Limitations and Amendments.....	51
THE DISTRICT	29	Compliance with Prior Undertakings.....	52
General.....	29	OFFICIAL STATEMENT	52
Description.....	29	General.....	52
Management of the District.....	29	Experts	52
Investment Policy	30	Certification as to Official Statement.....	52
THE DEVELOPER AND PRINCIPAL PROPERTY		Updating of Official Statement.....	52
OWNERS.....	30	APPENDIX A: FINANCIAL STATEMENTS OF THE	
The Role of a Developer	30	DISTRICT	
The Developer.....	30	APPENDIX B: SPECIMEN MUNICIPAL BOND	
Principal Property Owners	31	INSURANCE POLICY	
DEVELOPMENT WITHIN THE DISTRICT	31		
Current Status of Development	31		
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	32		
AERIAL PHOTOGRAPH OF THE DISTRICT	33		
TAX DATA.....	34		
General.....	34		
Tax Rate Limitation.....	34		
Debt Service Tax.....	34		
Maintenance and Operations Tax	34		
Tax Exemption.....	34		
Additional Penalties	34		
Historical Tax Collections	35		
Tax Rate Distribution.....	35		
Analysis of Tax Base.....	35		
Principal Taxpayers.....	36		
Tax Rate Calculations.....	36		
Estimated Overlapping Taxes	37		
THE SYSTEM	37		
General.....	37		
Description of the Utility System.....	37		
Description of the Road System.....	38		
Flood Plain	38		
Historical General Operating Fund.....	39		
DISTRICT DEBT	40		
Debt Service Requirements.....	41		
Direct and Estimated Overlapping Debt Statement..	42		
Debt Ratios.....	42		
TAXING PROCEDURES.....	42		
Authority to Levy Taxes.....	42		
Property Tax Code and County-Wide Appraisal			
District.....	42		
Property Subject to Taxation by the District	43		
Tax Abatement.....	44		
Valuation of Property for Taxation	44		
District and Taxpayer Remedies	45		

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 interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.002643% of the principal amount thereof, which resulted in a net effective interest rate of 4.657604%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol

“AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

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

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

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

Current Financial Strength Ratings

On October 18, 2024, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

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

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

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At December 31, 2024:

- The policyholders’ surplus of AG was approximately \$3,524 million.
- The contingency reserve of AG was approximately \$1,392 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,424 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

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

Incorporation of Certain Documents by Reference

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission (the "SEC") on February 28, 2025 that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

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

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

Miscellaneous Matters

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

RATING

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AG at the time of delivery of 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.

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

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in the Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

- The District Waller County Municipal Utility District No. 19 (the “District”), a political subdivision of the State of Texas, is located in Waller County, Texas (the “County”). See “THE DISTRICT – General” and “– Description.”
- Description of the Bonds The \$11,225,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. The Bonds are dated May 1, 2025 (the “Dated Date”), and will accrue interest from the initial date of delivery, which is expected to be on or about May 6, 2025 (the “Date of Delivery”), with interest payable September 1, 2025, and on each March 1 and September thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
- Redemption Provisions The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2030, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

The Bonds maturing on September 1, 2031, through September 1, 2050, both inclusive, are serial bonds. The Bond maturing on September 1 in the year 2030 is a term bond that is also subject to mandatory redemption provisions set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”
- Source of Payment Principal and interest on the Bonds, and the Outstanding Bonds, are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District, and are not obligations of the State of Texas; the County; the City of Brookshire, Texas (the “City”); or any entity other than the District. See “THE BONDS – Source of Payment.”
- Payment Record The District has never defaulted on the timely payment of debt service on its bonded indebtedness.
- Outstanding Bonds The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring waterworks, wastewater and drainage facilities to serve the District (the “Utility System”). The District has previously issued two (2) series of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the “Road System”) and one (1) series of unlimited tax bonds for the purpose of constructing or acquiring the Utility System: \$12,405,000 Unlimited Tax Bonds, Series 2023; \$7,870,000

Unlimited Tax Road Bonds, Series 2023; and \$2,750,000 Unlimited Tax Road Bonds, Series 2024. Of such previously issued series of bonds, \$22,765,000 principal amount will remain outstanding (the “Outstanding Bonds”) as of the Date of Delivery. See “THE BONDS – Outstanding Bonds” and “THE BONDS – Authority for Issuance.”

Authority for Issuance Voters in the District have authorized a total of: \$62,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System to serve the District; \$31,000,000 principal amount of unlimited tax bonds for refunding Road System bonds; \$85,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System to serve the District; \$42,500,000 principal amount of unlimited tax bonds for refunding Utility System bonds; \$10,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities (the “Park System”); and \$5,400,000 principal amount of unlimited tax bonds for refunding Park System bonds.

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$51,380,000 for the Road System and \$31,000,000 principal amount for refunding such bonds; \$61,370,000 for the Utility System and \$42,500,000 principal amount for refunding such bonds; \$10,800,000 for the purpose of acquiring or constructing the Park System and \$5,400,000 principal amount for refunding such bonds.

The Bonds are issued pursuant to (i) a resolution authorizing issuance of the Bonds adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Resolution”); (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended; (iii) an election held within the District on May 2, 2020; and (iv) an order issued by the Texas Commission on Environmental Quality (the “TCEQ”). See “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”

Use of Proceeds..... Proceeds of the Bonds will be used to reimburse the Developer (hereinafter defined) for the costs set out herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Proceeds of the Bonds will also be used to pay six (6) months of capitalized interest, developer interest and other costs associated with the issuance of the Bonds.

Municipal Bond Insurance ASSURED GUARANTY INC. (“AG”). See “MUNICIPAL BOND INSURANCE.”

Rating S&P Global Ratings (AG Insured): “AA.” See “RATING.”

General & Bond Counsel Allen Boone Humphries Robinson LLP, Houston, Texas.

Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Financial Advisor Robert W. Baird & Co. Incorporated, Houston, Texas.

District Engineer BGE, Inc., Houston, Texas.

Paying Agent/Registrar..... BOKF, NA, Dallas, Texas.

THE DISTRICT

The Issuer The District is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the "TCEQ") on May 22, 2018, and operates pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, and Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 333.60 acres. See "THE DISTRICT - General."

Location..... The District is located in Waller County and is wholly within the city limits of the City, approximately 35 miles west of the City of Houston Central Business District. The District lies generally north of Interstate 10, west of Woods Road and south of US HWY #90. The District is located entirely within the jurisdiction of the Royal Independent School District.

The Developer..... SRPF B/Spartan West X, L.P. ("Spartan West" or the "Developer"), is a Texas limited partnership whose general partner is Stream Acquisition XCVII, L.L.C., a Texas limited liability company. Spartan West was created for the purpose of purchasing and developing land within the District. Spartan West is a thinly capitalized company whose assets consist primarily of the land and improvements in the District and the receivables due from the District for eligible public infrastructure costs.

The Developer has sold parcels of land to SRPF B/Empire West Phase I, L.P. ("Phase I") and SRPF B/Empire West Phase II, L.P. ("Phase II"), each of which were created for the sole purpose of constructing industrial buildings within the District.

Spartan West, Phase I and Phase II are related entities controlled and managed by Stream Realty Partners. Such entities account for approximately 60.52% (\$246,291,700) of the District's 2024 Certified Assessed Valuation. See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS."

Development within the District The District is being developed as Empire West Business Park, an approximately 3.9+ million square foot master-planned industrial park located in Brookshire, Texas.

As of March 1, 2025, the District consisted of nine (9) completed industrial buildings and one (1) building under construction, totaling approximately 3,355,371 square feet on approximately 194.63 acres.

Building one (1) is owned and occupied by Wang, a wholesale food distribution company. Buildings two (2) and three (3) are owned by Phase I and are 100% leased to Warefor Solutions, LLC (72-month lease term ending April 30, 2027) and Ferguson Enterprises, LLC (132-month lease term ending October 31, 2032), respectively.

The remaining seven (7) buildings are owned by Phase II and have been leased out as follows: (a) building four (4) is 100% leased to H-E-B, LP (48-month lease term ending February 28, 2027), (b) building five (5) is 100% leased to Professional Packaging Systems, LLC (64-month lease term ending November

30, 2028), (c) building six (6) is 100% leased to Warefor Logistics, LLC. (37-month lease term ending January 31, 2026), (d) building seven (7) is 72% leased to Enchant Christmas LLC (65-month lease term ending January 31, 2028), (e) building eight (8) is vacant and is not currently being leased out, (f) building nine (9) is 100% leased to Tesla, Inc. (120-month lease term ending May 31, 2035), and building ten (10) which is currently under construction is 100% leased to Tesla, Inc. (120-month lease term ending May 31, 2035).

As of March 1, 2025, the District consisted of approximately 194.63 developed but undeveloped but developable acres, approximately 81.63 undeveloped but developable acres, and approximately 57.34 acres for a wastewater plant, a water plant, detention ponds and right-of-way.

Following the issuance of the Bonds, the Developer anticipates listing for sale all or a portion of the taxable value the Developer and its related entities currently own in the District, which may include the industrial buildings owned by Spartan West, Phase I and Phase II, and the remaining developable acreage currently owned by the Developer. The District can make no representation as to whether a sale will take place or how much taxable value will eventually be sold to other entities. The District can make no representation as to the impact a sale will have on taxable values in the District. See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS" and "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments."

RISK FACTORS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2024 Certified Assessed Valuation	\$ 391,386,050	(a)
Direct Debt:		
The Outstanding Bonds (as of Date of Delivery)	\$ 22,765,000	
The Bonds	<u>\$ 11,225,000</u>	
Total.....	\$ 33,990,000	
Estimated Overlapping Debt	<u>\$ 15,927,966</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 49,917,966	(b)
Direct Debt Ratio:		
As a percentage of 2024 Certified Assessed Valuation	8.68	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2024 Certified Assessed Valuation	12.75	%
2024 Tax Rate:		
Utility System Debt Service	\$0.22	
Road System Debt Service	\$0.18	
Maintenance & Operation	<u>\$0.35</u>	
Total.....	\$0.75	(c)
Utility System Debt Service Fund (as of March 7, 2025)	\$ 561,961	(d)
General Operating Fund (as of March 7, 2025).....	\$ 828,882	
Road Debt Service Fund (as of March 7, 2025).....	\$ 241,603	(e)
Average Annual Debt Service Requirement (2025–2054)	\$ 1,994,931	(f)
Maximum Annual Debt Service Requirement (2047).....	\$ 2,416,388	(f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement (2025–2054) at 95% Tax Collections		
Based on 2024 Certified Assessed Valuation	\$0.54	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement (2047) at 95% Collections		
Based on 2024 Certified Assessed Valuation	\$0.65	(g)

-
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Waller County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (c) See "TAX DATA – Tax Rate Distribution."
- (d) Does not include six (6) months of capitalized interest to be deposited into the Utility System Debt Service Fund. Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System.
- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund (herein defined). Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Bonds.
- (f) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirements."
- (g) See "TAX DATA – Tax Rate Calculations."

Official Statement
relating to
\$11,225,000
WALLER COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
(A Political Subdivision of the State of Texas Located in Waller County, Texas)
Unlimited Tax Bonds, Series 2025

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Waller County Municipal Utility District No. 19 (the "District") of its \$11,225,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) a resolution authorizing issuance of the Bonds adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Resolution"); (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended; (iii) an election held within the District on May 2, 2020; and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Resolution, 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 Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas (the "State"); Waller County, Texas (the "County"); the City of Brookshire, Texas (the "City"); or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, levied on all taxable property located within the District. See "THE BONDS - Source of Payment." The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the industrial development in the Houston, Texas metropolitan area. New construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. 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 "DEVELOPMENT WITHIN THE DISTRICT."

Principal Taxpayer Obligations to the District: The top ten principal taxpayers represent approximately 98.86% (\$386,918,820) of the 2024 Certified Assessed Valuation, which represents ownership as of January 1, 2024. Spartan West, Phase I, and Phase II (each as defined herein) collectively represent \$238,967,460 or approximately 61.06% of such value. If either of these entities or any other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or

borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service funds. See “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other industrial developments near the District. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

Developer Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District as a business park. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer’s right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on land in the District would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see “TAX DATA – Principal Taxpayers”) for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See “THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS” and “DEVELOPMENT WITHIN THE DISTRICT.”

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Certified Taxable Assessed Valuation of property located within the District (see “TAX DATA”) is \$391,386,050. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,416,388 (2047) and the average annual debt service requirements will be \$1,994,931 (2025–2054, inclusive). Assuming no increase to, nor decrease from the 2024 Certified Taxable Assessed Valuation of \$391,386,050, tax rates of \$0.65 and \$0.54 per \$100 of 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.

Dependence on Personal Property Tax Collections: Approximately 34.63% (\$135,542,520) of the District’s 2024 Certified Taxable Assessed Valuation is personal property. Most other municipal utility districts in Texas are not dependent to such an extent on taxes levied on personal property, and personal property taxation and collection create special risks for Registered Owners. See “TAX DATA – Principal Taxpayers,” “– Assessed Valuation Summary,” and “TAXING PROCEDURES.”

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

If personal property is subject to a lien for unpaid District taxes for any year, the District’s lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas and locating and foreclosing on property held outside the District may be costly, inefficient and difficult. The statute of limitations for collection of personal property taxes is four years from the date of delinquency, as contrasted with the 20-year statute of limitations for real property. Personal property may not be seized, and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See “TAXING PROCEDURES.”

Future Debt

Voters in the District have authorized a total of: \$62,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system (the "Road System") to serve the District; \$31,000,000 principal amount of unlimited tax bonds for refunding Road System bonds; \$85,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring waterworks, wastewater and drainage facilities (the "Utility System") to serve the District; \$42,500,000 principal amount of unlimited tax bonds for refunding Utility System bonds; \$10,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities (the "Park System"); and \$5,400,000 principal amount of unlimited tax bonds for refunding Park System bonds. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$51,380,000 for the Road System; \$31,000,000 principal amount for refunding such bonds; \$61,370,000 for the Utility System; \$42,500,000 principal amount for refunding such bonds; \$10,800,000 for the Park System; and \$5,400,000 principal amount for refunding such bonds.

The District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Resolution. See "THE BONDS – Issuance of Additional Debt."

Following reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$10,050,000 for the reimbursable expenditures advanced to date to develop land within the District. See "THE SYSTEM" and "DEVELOPMENT WITHIN 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) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two (2) years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayer's right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

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

all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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 the registered owner's claim against a district.

A special purpose district cannot be placed into bankruptcy involuntarily.

Changes in Tax Legislation

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

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

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

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. 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 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 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 would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

National Weather Service Atlas 14 Rainfall Study

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 interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

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

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 District which is recovered by the District 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 insurer of the Policy (the "Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the 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 Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

Neither the District or the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “RATING” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

THE BONDS

General

The Bonds are dated May 1, 2025 (the “Dated Date”), and will accrue interest from the initial date of delivery, which is expected to be on or about May 6, 2025 (the “Date of Delivery”), with interest payable September 1, 2025, and on each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover of this Official Statement. Principal of the Bonds will be payable to the Registered Owners (herein defined) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

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, New York, New York, while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and its “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 Participants (hereinafter defined), (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 (hereinafter defined), 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 (“SEC”), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book- entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income

Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," together with the Direct Participant(s), the "Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The holder of 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 does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Direct or Indirect 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 Direct or Indirect Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment 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 the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in the section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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 Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a principal denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bond maturing on September 1 in the year 2030 is a term bond (the "Term Bond") and 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 (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$1,345,000 Term Bond Maturing on September 1, 2030

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2026	\$ 245,000
September 1, 2027	\$ 255,000
September 1, 2028	\$ 270,000
September 1, 2029	\$ 280,000
September 1, 2030 (Maturity)	\$ 295,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of the Term Bond 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 or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Outstanding Bonds

The Bonds are the second series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Utility System. The District has previously issued two (2) series of unlimited tax bonds for the purpose of constructing or acquiring the Road System and one (1) series of unlimited tax bonds for the purpose of constructing or acquiring the Utility System: \$12,405,000 Unlimited Tax Bonds, Series 2023; \$7,870,000 Unlimited Tax Road Bonds, Series 2023; and \$2,750,000 Unlimited Tax Road Bonds, Series 2024. Of such previously issued series of bonds, \$22,765,000 principal amount will remain outstanding (the “Outstanding Bonds”) as of the Date of Delivery.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax, other governmental charges, or other expenses required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. 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 Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

Neither the Paying Agent/Registrar nor the District is required to issue, 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 to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. See “THE BONDS – Book-Entry-Only System” for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Funds

The Bond Resolution confirms a fund for debt service on the Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing of the Bonds. The Utility System Debt Service Fund which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds issued for the Utility System, and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds issued for the Utility System, and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System.

The District also maintains a fund for debt service on bonds issued for the Road System and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). The Road System Debt Service Fund which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Road System, and any additional unlimited tax bonds issued by the District for the Road System, and is to be kept separate from all other funds of the District, and is to be used for payment of debt service on any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of bonds issued for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, such as the Bonds.

Record Date for Interest Payment

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each Interest Payment Date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing costs and legal fees in connection with any such replacement.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued.

The Bonds are obligations of the District and are not the obligations of the State of Texas; the County; the City; or any other political subdivision or any entity other than the District.

Authority for Issuance

Voters in the District have authorized a total of; \$62,000,000 principal amount of unlimited tax bonds for the Road System to serve the District; \$31,000,000 principal amount of unlimited tax bonds for refunding Road System bonds; \$85,000,000 principal amount of unlimited tax bonds for the Utility System to serve the District; \$42,500,000 principal amount of unlimited tax bonds for refunding Utility System bonds; \$10,800,000 principal amount of unlimited tax bonds for the Park System; and \$5,400,000 principal amount of unlimited tax bonds for refunding Park System bonds. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$51,380,000 for the Road System; \$31,000,000 principal amount for refunding such bonds; \$61,370,000 for the Utility System; \$42,500,000 principal amount for refunding such bonds; \$10,800,000 for the Park System; and \$5,400,000 principal amount for refunding such bonds.

The District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Resolution, and such additional bonds as may hereafter be authorized by the Board and voters of the District.

The Bonds are issued pursuant to (i) the Bond Resolution; (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended; (iii) an election held within the District on May 2, 2020; and (iv) an order issued by the TCEQ.

Issuance of Additional Debt

Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$51,380,000 for the Road System; \$31,000,000 principal amount for refunding such bonds; \$61,370,000 for the Utility System; \$42,500,000 principal amount for refunding such bonds; \$10,800,000 for the Park System; and \$5,400,000 principal amount for refunding such bonds.

Following the reimbursement to the Developer with the proceeds of the Bonds, the District will owe the Developer approximately \$10,050,000 in reimbursables for District projects, the funds for which were advanced by the Developer.

The District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain

additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Resolution.

For bonds issued to acquire or construct the Park System, the principal amount of such bonds sold by the District is limited to 1% of the District's taxable 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.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, BGE, Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, and to finance the extension of the Utility System and Road System to serve the remaining undeveloped land and roads within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "RISK FACTORS – Future Debt."

No Arbitrage

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

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City, without the District's consent, subject to compliance by the City with Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City must assume the District's assets and obligations (including the Bonds) and abolish the District. Dissolution of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

Remedies in the Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be

relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Defeasance

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

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

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

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.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the Bonds will be used to reimburse the Developer for the costs set out below. Proceeds of the Bonds will also be used to pay six (6) months of capitalized interest, developer interest and other costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. Totals may not sum due to rounding.

Construction Costs	District's Share
A. Developer Contribution Items	
1. Empire West Business Park Detention Facilities	\$ 3,490,496
2. Empire West Business Park Paving and Utilities, Phase 1	3,135,679
3. Engineering (Item Nos. 1-2)	202,880
4. Materials Testing (Item Nos. 1-2)	97,575
Total Developer Contribution Items	\$ 6,926,630
B. District Contribution Items	
1. Detention Reserve "E" Land Acquisition Costs	\$ 1,073,732
2. Land Interest	302,704
Total District Contribution Items	\$ 1,376,436
NET CONSTRUCTION COSTS (71.30% of BIR)	\$ 8,303,066
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 264,500
B. Fiscal Agent Fees	224,500
C. Interest	
1. Capitalized Interest (6 months)	267,581
2. Developer Interest	1,668,016
D. Bond Discount	336,453
E. Bond Issuance Expenses	35,949
F. Bond Application Report Cost	60,000
G. Attorney General Fee (0.10% or \$9,500 max)	9,500
H. TCEQ Fee (0.25% of BIR)	28,063
I. Contingency (a)	27,371
Total Non-Construction Costs	\$ 2,921,934
TOTAL BOND ISSUE REQUIREMENT	\$ 11,225,000

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

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

The construction costs described above were compiled by the Engineer based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by an order of the TCEQ on May 22, 2018, and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 54 of the Texas Water Code, as amended.

Description

The District contains approximately 333.60 acres and is located in Waller County and is wholly within the city limits of the City, approximately 35 miles west of the City of Houston Central Business District. The District lies generally north of Interstate 10, west of Woods Road and south of US HWY #90. The District is located entirely within the jurisdiction of the Royal Independent School District.

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District (the "Board"). Directors serve staggered four-year terms, with elections held in May of each even numbered year. All of the directors own property in the District. The present members and officers of the Board listed below:

Name	Position	Term Expires May
Adam Hollingsworth	President	2026
Brandon Starr	Vice President	2028
Andrew Safier	Secretary	2026
James E. Moehlman	Assistant Vice President	2028
Paul Miles	Assistant Secretary	2028

- Consultants -

Tax Assessor/Collector: The tax assessor/collector for the District is Assessments of the Southwest, Inc.

Bookkeeper: The District contracts with Municipal Accounts & Consulting, LP as bookkeeper for the District.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended March 31, 2024, which financial statements are attached hereto as "APPENDIX A."

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is BGE, Inc.

Bond & General Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as disclosure counsel ("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 is employed as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is employed 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.

Investment Policy

The District has adopted an Investment Policy (the “Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS

The Role of a Developer

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

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District’s boundaries.

The Developer

SRPF B/Spartan West X, L.P. (“Spartan West” or the “Developer”), is a Texas limited partnership whose general partner is Stream Acquisition XCVII, L.L.C., a Texas limited liability company. Spartan West was created for the purpose of purchasing and developing land within the District. Spartan West is a thinly capitalized company whose assets consist primarily of the land and improvements in the District and the receivables due from the District for eligible public infrastructure costs.

The Developer has sold parcels of land to SRPF B/Empire West Phase I, L.P. (“Phase I”) and SRPF B/Empire West Phase II, L.P. (“Phase II”), each of which were created for the sole purpose of constructing industrial buildings within the District.

Spartan West, Phase I and Phase II are related entities controlled and managed by Stream Realty Partners. Such entities account for approximately 61.06% (\$238,967,460) of the District's 2024 Certified Assessed Valuation.

Principal Property Owners

Wang GlobalNet

Wang GlobalNet ("Wang") is a wholesale food distribution company that specializes in Korean cuisine. Wang owns and occupies an approximately 122,138 square foot building on approximately 8.36 acres, which is used for storage and distribution. Wang has no affiliation with the Developer.

McMillian Investments LTD.

McMillian owns approximately 30.00 acres, which is currently undeveloped. McMillian has no affiliation with the Developer.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

The District is being developed as Empire West Business Park, an approximately 3.9+ million square foot master-planned industrial park located in Brookshire, Texas.

As of March 1, 2025, the District consisted of nine (9) completed industrial buildings and one (1) building under construction, totaling approximately 3,355,371 square feet on approximately 194.63 acres.

Building one (1) is owned and occupied by Wang, a wholesale food distribution company. Buildings two (2) and three (3) are owned by Phase I and are 100% leased to Warefor Solutions, LLC (72-month lease term ending April 30, 2027) and Ferguson Enterprises, LLC (132-month lease term ending October 31, 2032), respectively.

The remaining seven (7) buildings are owned by Phase II and have been leased out as follows: (a) building four (4) is 100% leased to H-E-B, LP (48-month lease term ending February 28, 2027), (b) building five (5) is 100% leased to Professional Packaging Systems, LLC (64-month lease term ending November 30, 2028), (c) building six (6) is 100% leased to Warefor Logistics, LLC. (37-month lease term ending January 31, 2026), (d) building seven (7) is 72% leased to Enchant Christmas LLC (65-month lease term ending January 31, 2028), (e) building eight (8) is vacant and is not currently being leased out, (f) building nine (9) is 100% leased to Tesla, Inc. (120-month lease term ending May 31, 2035), and building ten (10) which is currently under construction is 100% leased to Tesla, Inc. (120-month lease term ending May 31, 2035).

As of March 1, 2025, the District consisted of approximately 194.63 developed acres, approximately 81.63 undeveloped but developable acres, and approximately 57.34 acres for a wastewater plant, a water plant, detention ponds and right-of-way.

Following the issuance of the Bonds, the Developer anticipates listing for sale all or a portion of the taxable value the Developer and its related entities currently own in the District, which may include the industrial buildings owned by Spartan West, Phase I and Phase II, and the remaining developable acreage currently owned by the Developer. The District can make no representation as to whether a sale will take place or how much taxable value will eventually be sold to other entities. The District can make no representation as to the impact a sale will have on taxable values in the District. See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS" and "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments."

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(March 2025)



**AERIAL PHOTOGRAPH OF THE DISTRICT
(March 2025)**



TAX DATA

General

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, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution 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, and the Outstanding Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.50 per \$100 of assessed valuation for operation and maintenance purposes and in an amount not to exceed \$0.10 per \$100 of assessed valuation for parks and recreational facilities maintenance.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance & Operations/General:	\$1.50 per \$100 of Assessed Valuation.
Parks & Recreational Facilities Maintenance:	\$0.10 per \$100 of Assessed Valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all of any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal and interest on the Bonds and the Outstanding Bonds. The District levied a Utility System debt service tax for 2024 at the rate of \$0.22 per \$100 assessed valuation and Road System debt service tax rate of \$0.18 per \$100 assessed valuation.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operations of the District's improvements, if such maintenance and operations tax is authorized by vote of the District's electors. At an election held within the District on May 2, 2020, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.50 per \$100 assessed valuation. The District levied a maintenance and operations tax for 2024 at the rate of \$0.35 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the tax years 2020–2024.

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	Collections Current Year	Current Year End	Collections 02/28/2025
2020	\$ 29,358,955	\$0.600	\$ 176,154	100.00 %	2021	100.00%
2021	70,772,470	0.600	424,635	100.00	2022	100.00
2022	118,611,800	0.600	711,671	100.00	2023	100.00
2023	269,546,951	0.750	2,021,602	100.00	2024	100.00
2024	391,386,050	0.750	2,935,395	100.00	2025	99.71 (b)

(a) See "Tax Rate Distribution" below.

(b) In the process of collections.

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
Utility Debt Service	\$ 0.220	\$ 0.320	\$ 0.000	\$ 0.000	\$ 0.000
Road Debt Service	0.180	0.000	0.000	0.000	0.000
Maintenance & Operation	0.350	0.430	0.600	0.600	0.600
Total	\$ 0.750	\$ 0.750	\$ 0.600	\$ 0.600	\$ 0.600

Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax years 2020–2024, by type of property.

Type of Property	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$ 61,620,390	\$ 63,459,690	\$ 56,660,360	\$ 31,748,630	\$ 29,362,244
Improvements	194,279,490	198,717,580	62,537,430	39,081,260	0
Personal Property	381,874,110	14,563,350	72,450	0	0
Exemptions	(246,387,940)	(7,193,669)	(658,440)	(57,420)	(3,289)
Total	\$391,386,050	\$269,546,951	\$118,611,800	\$ 70,772,470	\$ 29,358,955

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Principal Taxpayers

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

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll	Percent of 2024 Tax Roll
SRPF B/Empire West Phase 1 LP (a)(b)	Commercial / Vacant	\$ 120,562,370	30.80%
Ferguson Enterprises LLC	Personal Property	92,846,086	23.72%
SRPF B/Spartan West X LP (a)(b)	Commercial / Vacant	71,753,640	18.33%
SRPF B/Spartan West Phase II (a)(b)	Commercial / Vacant	46,651,450	11.92%
H-E-B LP	Personal Property	22,723,160	5.81%
Wang Globalnet (a)	Commercial	12,408,840	3.17%
Tesla Inc.	Personal Property	10,824,444	2.77%
I-10 Brookshire Partners Investments	Personal Property	3,787,900	0.97%
De Lage Landen Financial Services Inc.	Personal Property	3,786,880	0.97%
Warefor	Personal Property	1,574,050	0.40%
Total		\$386,918,820	98.86%

(a) See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS" and "DEVELOPMENT WITHIN THE DISTRICT."
 (b) See "THE DEVELOPER AND PRINCIPAL PROPERTY OWNERS."

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 certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2024 Certified Taxable Assessed Valuation (\$391,386,050). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2025-2054)	\$1,994,931
Tax Rate of \$0.54 on the 2024 Certified Taxable Assessed Valuation produces	\$2,007,810
Maximum Annual Debt Service Requirement (2047).....	\$2,416,388
Tax Rate of \$0.65 on the 2024 Certified Taxable Assessed Valuation produces.....	\$2,416,809

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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. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see “TAX DATA - Debt Service Tax”). 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 Per \$100 of Assessed Value
The District	\$0.750000
City of Brookshire	0.565140
Waller County	0.472978
Waller County FM	0.023043
Waller-Harris ESD 200	0.096641
Brookshire Katy Drainage District	0.057898
Royal Independent School District	1.114017
Total 2024 Overlapping Tax Rate for the District	<u>\$3.078717</u>

THE SYSTEM

General

The Utility System and the Road System have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

Description of the Utility System

The Utility System, the purchase, acquisition and construction of which have been financed by the District with the proceeds of the Outstanding Bonds issued for the Utility System, and the Road System, the construction of which is being financed by the District with proceeds of the Outstanding Bonds issued for the Road System and future bond sales, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

Water Supply and Distribution: The District receives potable groundwater from Water Well No. 1, which produces 500 gallons per minute (“gpm”) and Water Well No. 2, which produces 500 gpm. Both water wells are owned and operated by the District. The District’s water supply is sufficient to serve up to 750 equivalent single-family connections (“ESFCs”) within the District.

Wastewater Treatment: The District receives wastewater treatment service from the District’s Phase 1 wastewater treatment plant, which is sufficient to accommodate 0.183 millions of gallons per day (“MGD”). The District’s wastewater capacity is sufficient to serve up to 581 ESFCs within the District.

Drainage: The District drains through a storm sewer pipe and outfalls into Brookshire Creek.

Description of the Road System

The roads within the District vary in width in accordance with standards adopted by the County but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District. The roads are public right-of-way, and are located within the Brookshire city limits. The roads constructed within the District are maintained by the City of Brookshire.

Flood Plain

According to the FEMA Flood Insurance Rate Map Panel No. 48473C0350E dated February 18, 2009, a portion of the wastewater treatment plant reserve is located within the 100-year flood plain, but the facility improvements are not within the flood plain.

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

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 General Operating Fund

The following is a summary of the District's general operating fund for the previous four fiscal years. The figures below were obtained from the District's audited financial statements for the District's fiscal years ended March 31, 2021, through March 31, 2024, and from the District's bookkeeper for the period ended March 1, 2025. See "APPENDIX A." The District is required by statute to have a certified public accountant audit the District's financial statements annually, which is filed with the TCEQ.

For Fiscal Year Ended March 31,

	03/01/25 (a)	2024	2023	2022	2021
Revenues					
Water Service	\$ 122,680	\$ 160,059	\$ 109,260	\$ 46,397	\$ -
Sewer Service	16,606	9,210	6,564	3,659	-
Property Taxes	255,615	1,152,960	717,547	424,635	176,154
Penalties & Interest	2,297	1,664	22,706	7,603	-
Tap Connection & Inspection	-	30	194,215	80,080	102,248
Miscellaneous	-	15	180	167	90
Investment Earnings	<u>50,502</u>	<u>35,297</u>	<u>7,506</u>	<u>19</u>	<u>26</u>
Total Revenues	\$ 447,700	\$ 1,359,235	\$ 1,057,978	\$ 562,560	\$ 278,518
Expenditures					
Current Service Operations:					
Professional Fees	\$ 150,000	\$ 119,474	\$ 186,392	\$ 107,929	\$ 128,411
Contracted Services	282,696	79,775	166,594	66,962	26,416
Repairs & Maintenance	377,186	341,334	322,116	124,626	10,680
Utilities	54,555	53,207	31,988	25,010	5,388
Administrative	26,275	46,071	31,478	29,530	34,373
Other	31,706	9,871	7,845	11,583	1,254
Capital Outlay	<u>53,938</u>	<u>-</u>	<u>55,816</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ 976,355	\$ 649,732	\$ 802,229	\$ 365,640	\$ 206,522
Revenues Over Expenditures	\$ (528,655)	\$ 709,503	\$ 255,749	\$ 196,920	\$ 71,996
Net Change in Fund Balance	\$ (528,655)	\$ 709,503	\$ 255,749	\$ 196,920	\$ 71,996
Other Financing Sources					
Developer Advances	\$ -	\$ -	\$ -	\$ -	\$ 203,750
Internal Transfers	\$ -	\$ 60,731	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ (528,655)	\$ 770,234	\$ 255,749	\$ 196,920	\$ 275,746
Fund Balance, Beginning of Year	\$ 1,436,307	\$ 666,073	\$ 410,324	\$ 213,404	\$ (62,342)
Fund Balance, End of Year	\$ 907,652	\$ 1,436,307	\$ 666,073	\$ 410,324	\$ 213,404

(a) Unaudited.

DISTRICT DEBT

Direct Debt:	
The Outstanding Bonds (as of Date of Delivery)	\$ 22,765,000
The Bonds	<u>\$ 11,225,000</u>
Total.....	\$ 33,990,000
Estimated Overlapping Debt	<u>\$ 15,927,966</u> (b)
Total Direct and Estimated Overlapping Debt	\$ 49,917,966 (b)
Direct Debt Ratio:	
As a percentage of 2024 Certified Assessed Valuation.....	8.68 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2024 Certified Assessed Valuation.....	12.75 %
2024 Tax Rate:	
Utility System Debt Service	\$0.22
Road System Debt Service	\$0.18
Maintenance & Operation	<u>\$0.35</u>
Total.....	\$0.75 (c)
Utility System Debt Service Fund (as of March 7, 2025)	\$ 561,961 (d)
General Operating Fund (as of March 7, 2025).....	\$ 828,882
Road Debt Service Fund (as of March 7, 2025).....	\$ 241,603 (e)
Average Annual Debt Service Requirement (2025-2054)	\$ 1,994,931 (f)
Maximum Annual Debt Service Requirement (2047).....	\$ 2,416,388 (f)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement (2025-2054) at 95% Tax Collections	
Based on 2024 Certified Assessed Valuation	\$0.54 (g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement (2047) at 95% Collections	
Based on 2024 Certified Assessed Valuation	\$0.65 (g)

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Waller County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
 - (c) See "TAX DATA - Tax Rate Distribution."
 - (d) Does not include six (6) months of capitalized interest to be deposited into the Utility System Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the Road System.
 - (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund. Funds in the Road Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Bonds.
 - (f) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT - Debt Service Requirements."
 - (g) See "TAX DATA - Tax Rate Calculations."

Debt Service Requirements

The following schedule sets forth the debt service on the Outstanding Bonds, plus the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds		Total	
		Principal	Interest	Debt Service	Debt Service
2025	\$ 928,498	\$ -	\$ 170,955	\$ 170,955	\$ 1,099,452
2026	1,534,458	245,000	535,163	780,163	2,314,620
2027	1,532,603	255,000	518,931	773,931	2,306,534
2028	1,544,513	270,000	502,038	772,038	2,316,550
2029	1,539,425	280,000	484,150	764,150	2,303,575
2030	1,543,215	295,000	465,600	760,600	2,303,815
2031	1,545,115	305,000	446,056	751,056	2,296,171
2032	1,545,515	320,000	425,850	745,850	2,291,365
2033	1,556,053	335,000	404,650	739,650	2,295,703
2034	1,559,428	355,000	382,456	737,456	2,296,884
2035	1,561,270	370,000	367,813	737,813	2,299,083
2036	1,566,130	385,000	352,550	737,550	2,303,680
2037	1,577,345	405,000	336,669	741,669	2,319,014
2038	1,576,045	425,000	319,963	744,963	2,321,008
2039	1,592,595	445,000	302,431	747,431	2,340,026
2040	1,601,035	465,000	284,075	749,075	2,350,110
2041	1,606,838	490,000	264,313	754,313	2,361,150
2042	1,609,663	510,000	243,488	753,488	2,363,150
2043	1,618,244	535,000	221,813	756,813	2,375,056
2044	1,623,513	560,000	198,406	758,406	2,381,919
2045	1,635,806	590,000	173,906	763,906	2,399,713
2046	1,639,619	615,000	148,094	763,094	2,402,713
2047	1,650,200	645,000	121,188	766,188	2,416,388
2048	712,050	675,000	92,969	767,969	1,480,019
2049	717,419	710,000	63,438	773,438	1,490,856
2050	721,463	740,000	32,375	772,375	1,493,838
2051	723,550	-	-	-	723,550
2052	729,125	-	-	-	729,125
2053	732,925	-	-	-	732,925
2054	739,950	-	-	-	739,950
Total	\$ 40,763,603	\$11,225,000	\$ 7,859,336	\$19,084,336	\$ 59,847,938

Average Annual Debt Service Requirement (2025–2054)\$1,994,931
 Maximum Annual Debt Service Requirement (2047).....\$2,416,388

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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 several sources, including information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. 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. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Debt as of January 31, 2025	Estimated Overlapping	
		Percent	Amount
Waller County	\$ 76,550,000	2.88%	\$ 2,205,846
Royal Independent School District	142,023,994	9.66%	<u>13,722,120</u>
Total Estimated Overlapping Debt			\$ <u>15,927,966</u>
The District			<u>33,990,000</u> (a)
Total Direct & Estimated Overlapping Debt			\$ <u>49,917,966</u>

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

Direct Debt Ratios:	
As a percentage of the 2024 Taxable Assessed Valuation.....	8.68 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of the 2024 Taxable Assessed Valuation.....	12.75 %

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, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS - Source of Payment.” Under Texas law, the Board 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, its park 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

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County. Such appraisal values will be subject to review and change by the Waller County Appraisal Review Board (the “Appraisal

Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran’s residential homestead. 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. Surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

In addition, a partially disabled veteran or the surviving spouse of a partially disabled veteran is 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 at no cost by a charitable organization at some or no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the service member’s death and said property was the service member’s residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the first responder’s death, and said property was the first responder’s residence homestead at the time of death. Such exemption would be transferable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: 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, for 2012 and subsequent tax years, 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 not taken action related to 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.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate

of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. 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 compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. For the 2025 tax year, the District was determined to be a Developing District by the Board of Directors. 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.

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, 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 and operation 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 twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, sixty (60) days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent

on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

Property owners affected by a disaster may pay property taxes in four (4) equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in 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 on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE DISTRICT - General," "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Proceedings," "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with

the issuance of bonds are based on a percentage of bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

The District will furnish to the initial purchaser of the Bonds (the "Initial Purchaser") a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their actual knowledge 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 condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in this Preliminary Official Statement, as it may be supplemented or amended, through the date of sale.

TAX MATTERS

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 (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount

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

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

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

Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six (6)-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six (6)-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale, or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

NOT Qualified Tax-Exempt Obligations

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included under "DISTRICT DEBT" (except under the subheadings "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending on or after 2025. The District's current fiscal year end is March 31. Accordingly, it must provide updated information by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report becomes available.

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 10 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other

material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligations” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports.”

Availability of Information

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, operations, conditions, or prospects or 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 owners and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement. The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement discussed under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Since the District's first issuance of bonds in 2023, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance pursuant to the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, 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.

The financial statements of the District as of March 31, 2024, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, as stated in their report appearing herein. See "APPENDIX A."

Experts

The information contained in the Official Statement relating to engineering and to the description of the Road System and the Utility System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description" and "THE SYSTEM" has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the 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 Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest, Inc.'s authority as an expert in the field of tax collection and the Appraisal District's authority as an expert 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, in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements

concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District 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 Waller County Municipal Utility District No. 19, as of the date shown on the first page hereof.

/s/ Adam Hollingsworth
President, Board of Directors
Waller County Municipal Utility District No. 19

ATTEST:

/s/ Paul Miles
Assistant Secretary, Board of Directors
Waller County Municipal Utility District No. 19

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

**WALLER COUNTY MUNICIPAL
UTILITY DISTRICT NO. 19**

WALLER COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2024

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	41
Taxes Levied and Receivable	TSI-4	42
Long-Term Debt Service Requirements by Years	TSI-5	43
Change in Long-Term Bonded Debt	TSI-6	46
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	48
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	50
Board Members, Key Personnel and Consultants	TSI-8	51

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Waller County Municipal Utility District No. 19
Waller County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waller County Municipal Utility District No. 19 (the "District"), as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Waller County Municipal Utility District No. 19, as of March 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 budgetary comparison information 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

***Board of Directors
Waller County Municipal Utility District No. 19
Waller County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGuath & Co, P.C.

Houston, Texas
August 2, 2024

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Management's Discussion and Analysis

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***Waller County Municipal Utility District No. 19
Management's Discussion and Analysis
March 31, 2024***

Using this Annual Report

Within this section of the financial report of Waller County Municipal Utility District No. 19 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

**Waller County Municipal Utility District No. 19
 Management’s Discussion and Analysis
 March 31, 2024**

The *Statement of Activities* reports how the District’s net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District’s use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District’s net position at March 31, 2024, was negative \$11,163,984. This amount is negative because the District incurs debt to construct road facilities which it conveys to the City of Brookshire. A comparative summary of the District’s overall financial position, as of March 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 3,522,038	\$ 745,096
Capital assets	21,648,960	20,589,092
Total assets	25,170,998	21,334,188
Current liabilities	506,106	79,023
Long-term liabilities	35,828,876	26,561,020
Total liabilities	36,334,982	26,640,043
Net position		
Net investment in capital assets	(5,397,388)	(916,398)
Restricted	1,765,940	
Unrestricted	(7,532,536)	(4,389,457)
Total net position	\$ (11,163,984)	\$ (5,305,855)

***Waller County Municipal Utility District No. 19
Management's Discussion and Analysis
March 31, 2024***

The total net position of the District decreased during the current fiscal year by \$5,858,129. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 2,018,140	\$ 740,253
Water and sewer service	169,269	115,824
Other	106,073	201,901
Total revenues	<u>2,293,482</u>	<u>1,057,978</u>
Expenses		
Current service operations	1,035,547	746,413
Debt interest and fees	617,206	
Developer interest	2,002,080	
Debt issuance costs	1,536,121	
Depreciation	409,028	296,237
Total expenses	<u>5,599,982</u>	<u>1,042,650</u>
Change in net position before other item	(3,306,500)	15,328
Other item		
Transfers to other governments	<u>(2,551,629)</u>	<u>(5,027,373)</u>
Change in net position	(5,858,129)	(5,012,045)
Net position, beginning of year (restated)	<u>(5,305,855)</u>	<u>(293,810)</u>
Net position, end of year	<u>\$ (11,163,984)</u>	<u>\$ (5,305,855)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2024, were \$3,358,641, which consists of \$1,436,307 in the General Fund, \$1,848,864 in the Debt Service Fund and \$73,470 in the Capital Projects Fund.

**Waller County Municipal Utility District No. 19
 Management’s Discussion and Analysis
 March 31, 2024**

General Fund

A comparative summary of the General Fund’s financial position as of March 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,599,414</u>	<u>\$ 745,096</u>
Total liabilities	\$ 162,892	\$ 79,023
Total deferred inflows	215	
Total fund balance	<u>1,436,307</u>	<u>666,073</u>
Total liabilities and fund balance	<u>\$ 1,599,414</u>	<u>\$ 745,096</u>

A comparative summary of the General Fund’s activities for the current and prior fiscal year is as follows:

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 1,359,235	\$ 1,057,978
Total expenditures	<u>(649,732)</u>	<u>(802,229)</u>
Revenues over expenditures	709,503	255,749
Other changes in fund balance	60,731	
Net change in fund balance	<u>\$ 770,234</u>	<u>\$ 255,749</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Waller County Municipal Utility District No. 19
Management’s Discussion and Analysis
March 31, 2024***

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of March 31, 2024 is as follows:

Total assets	<u><u>\$ 1,849,024</u></u>
Total liabilities	\$ -
Total deferred inflows	160
Total fund balance	<u>1,848,864</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 1,849,024</u></u>

A summary of activities of the Debt Service Fund for the current year is as follows:

Total revenues	\$ 921,815
Total expenditures	<u>(566,389)</u>
Revenues over expenditures	355,426
Other changes in fund balance	<u>1,493,438</u>
Net change in fund balance	<u><u>\$ 1,848,864</u></u>

During the current year, the District’s financial resources in the Debt Service Fund are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance during the current year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District’s Series 2023 Unlimited Tax Bonds and Series 2023 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of March 31, 2024, is as follows:

Total assets	<u><u>\$ 73,600</u></u>
Total liabilities	\$ 130
Total fund balance	<u>73,470</u>
Total liabilities and fund balance	<u><u>\$ 73,600</u></u>

***Waller County Municipal Utility District No. 19
 Management’s Discussion and Analysis
 March 31, 2024***

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

Total revenues	\$ 12,057
Total expenditures	<u>(18,455,668)</u>
Revenues under expenditures	(18,443,611)
Other changes in fund balance	<u>18,517,081</u>
Net change in fund balance	<u><u>\$ 73,470</u></u>

The District’s capital asset activity in the current year was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds and Series 2023 Unlimited Tax Road Bonds.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$707,725 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

**Waller County Municipal Utility District No. 19
 Management’s Discussion and Analysis
 March 31, 2024**

Capital assets held by the District at March 31, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 5,828,973</u>	<u>\$ 4,367,794</u>
Capital assets being depreciated		
Water, sewer and drainage facilities	16,651,118	16,643,401
Landscaping improvements	<u>374,518</u>	<u>374,518</u>
	<u>17,025,636</u>	<u>17,017,919</u>
Less accumulated depreciation		
Water, sewer and drainage facilities	(1,130,745)	(759,169)
Landscaping improvements	<u>(74,904)</u>	<u>(37,452)</u>
	<u>(1,205,649)</u>	<u>(796,621)</u>
Depreciable capital assets, net	<u>15,819,987</u>	<u>16,221,298</u>
Capital assets, net	<u><u>\$ 21,648,960</u></u>	<u><u>\$ 20,589,092</u></u>

During the current year, capital asset additions include the land acquisition for the District’s Restricted Reserve “E” detention facilities.

Additionally, the City of Brookshire assumes responsibility for the maintenance of public roads constructed within the city limits. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended March 31, 2024, capital assets in the amount of \$2,551,629 have been recorded as transfers to other governments in the government-wide statements. It should be noted that certain of these transfers were constructed by the developer in previous years. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of March 31, 2024, the District owes approximately \$15,813,876 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

During the current year, the District issued \$12,405,000 in unlimited tax bonds and \$7,870,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year.

At March 31, 2024, the District had \$72,595,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$42,500,000 for the refunding of such bonds; \$10,800,000 for parks and

**Waller County Municipal Utility District No. 19
 Management’s Discussion and Analysis
 March 31, 2024**

recreational facilities and \$5,400,000 for the refunding of such bonds; \$54,130,000 for road improvements and \$31,000,000 for the refunding of such bonds.

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 1,359,235	\$ 857,193
Total expenditures	<u>(649,732)</u>	<u>(1,277,553)</u>
Revenues over/(under) expenditures	709,503	(420,360)
Other changes in fund balance	<u>60,731</u>	<u> </u>
Net change in fund balance	770,234	(420,360)
Beginning fund balance	<u>666,073</u>	<u>1,436,307</u>
Ending fund balance	<u><u>\$ 1,436,307</u></u>	<u><u>\$ 1,015,947</u></u>

Property Taxes

The District’s property tax base increased approximately \$5,700,000 for the 2024 tax year from \$269,546,951 to \$275,247,067, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

Basic Financial Statements

Waller County Municipal Utility District No. 19
Statement of Net Position and Governmental Fund Balance Sheet
March 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 11,187	\$ 78,163	\$ 1,494	\$ 90,844	\$ -	\$ 90,844
Investments	1,537,003	1,795,590	72,106	3,404,699		3,404,699
Taxes receivable	215	160		375		375
Customer service receivables	8,761			8,761		8,761
Internal balances	38,472	(38,472)				
Other receivables	3,776	13,583		17,359		17,359
Capital assets not being depreciated					5,828,973	5,828,973
Capital assets, net					15,819,987	15,819,987
Total Assets	\$ 1,599,414	\$ 1,849,024	\$ 73,600	\$ 3,522,038	21,648,960	25,170,998
Liabilities						
Accounts payable	\$ 121,118	\$ -	\$ 130	\$ 121,248		121,248
Other payables	74			74		74
Customer deposits	37,700			37,700		37,700
Builder deposits	4,000			4,000		4,000
Accrued interest payable					83,084	83,084
Due to developer					15,813,876	15,813,876
Long-term debt						
Due within one year					260,000	260,000
Due after one year					20,015,000	20,015,000
Total Liabilities	162,892		130	163,022	36,171,960	36,334,982
Deferred Inflows of Resources						
Deferred property taxes	215	160		375	(375)	
Fund Balance/Net Position						
Fund Balance						
Restricted		1,848,864	73,470	1,922,334	(1,922,334)	
Unassigned	1,436,307			1,436,307	(1,436,307)	
Total Fund Balance	1,436,307	1,848,864	73,470	3,358,641	(3,358,641)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,599,414	\$ 1,849,024	\$ 73,600	\$ 3,522,038		
Net Position						
Net investment in capital assets					(5,397,388)	(5,397,388)
Restricted for debt service					1,765,940	1,765,940
Unrestricted					(7,532,536)	(7,532,536)
Total Net Position					\$ (11,163,984)	\$ (11,163,984)

See notes to basic financial statements.

Waller County Municipal Utility District No. 19

**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 160,059	\$ -	\$ -	\$ 160,059	\$ -	\$ 160,059
Sewer service	9,210			9,210		9,210
Property taxes	1,152,960	862,391		2,015,351	375	2,015,726
Penalties and interest	1,664	750		2,414		2,414
Tap connection and inspection	30			30		30
Miscellaneous	15	6,560		6,575		6,575
Investment earnings	35,297	52,114	12,057	99,468		99,468
Total Revenues	1,359,235	921,815	12,057	2,293,107	375	2,293,482
Expenditures/Expenses						
Current service operations						
Professional fees	119,474		353,017	472,491		472,491
Contracted services	79,775	28,566	146	108,487		108,487
Repairs and maintenance	341,334			341,334		341,334
Utilities	53,207			53,207		53,207
Administrative	46,071	3,701	385	50,157		50,157
Other	9,871			9,871		9,871
Capital outlay			14,563,919	14,563,919	(14,563,919)	
Debt service						
Interest and fees		534,122		534,122	83,084	617,206
Developer interest			2,002,080	2,002,080		2,002,080
Debt issuance costs			1,536,121	1,536,121		1,536,121
Depreciation					409,028	409,028
Total Expenditures/Expenses	649,732	566,389	18,455,668	19,671,789	(14,071,807)	5,599,982
Revenues Over/(Under) Expenditures/Expenses	709,503	355,426	(18,443,611)	(17,378,682)	14,072,182	(3,306,500)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		1,493,438	18,781,562	20,275,000	(20,275,000)	
Repayment of developer advances			(203,750)	(203,750)	203,750	
Internal transfers	60,731		(60,731)			
Other Item						
Transfers to other governments					(2,551,629)	(2,551,629)
Net Change in Fund Balance Change in Net Position	770,234	1,848,864	73,470	2,692,568	(2,692,568)	(5,858,129)
Fund Balance/Net Position						
Beginning of the year	666,073			666,073	(5,971,928)	(5,305,855)
End of the year	\$ 1,436,307	\$ 1,848,864	\$ 73,470	\$ 3,358,641	\$ (14,522,625)	\$ (11,163,984)

See notes to basic financial statements.

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Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Waller County Municipal Utility District No. 19 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated May 29, 2018, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on January 17, 2020 and the first bonds were issued on May 23, 2023.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage, recreational and road facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage, and road facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater, and drainage facilities, and landscaping improvements are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Water, sewer, and drainage facilities	45 years
Landscaping improvements	10-20 years

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Fund Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$ 3,358,641
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 22,854,609
Less accumulated depreciation	<u>(1,205,649)</u>
Change due to capital assets	21,648,960
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:	
Bonds payable, net	(20,275,000)
Interest payable on bonds	<u>(83,084)</u>
Change due to long-term debt	(20,358,084)
Amounts due to the District's developer for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(15,813,876)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	375
Total net position - governmental activities	<u><u>\$ (11,163,984)</u></u>

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 2,692,568

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 375

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.

Capital outlays	\$ 14,563,919	
Depreciation expense	(409,028)	
		14,154,891

The District conveys public roads to City of Brookshire upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (2,551,629)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long-term debt	(20,275,000)	
Interest expense accrual	(83,084)	
		(20,358,084)

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 203,750

Change in net position of governmental activities	\$ (5,858,129)
---------------------------------------------------	----------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Use of Surplus Funds

During the current year, the District used \$300,000 in surplus funds from the issuance of its Series 2023 Unlimited Tax Bonds to reimburse its developer for the acquisition of land for certain District facilities.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 3 – Deposits and Investments (continued)

As of March 31, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Texas CLASS	General	\$ 1,387,003	79%	AAAm	34 days
	Debt Service	1,215,590			
	Capital Projects	72,106			
		<u>2,674,699</u>			
Certificates of deposit	General	150,000	21%	N/A	N/A
	Debt Service	580,000			
		<u>730,000</u>			
Total		<u>\$ 3,404,699</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District’s investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 3 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at March 31, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 38,472	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	\$ 60,731	Reimbursement of bond application fees paid by General Fund

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 5 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,367,794	\$ 1,461,179	\$ 5,828,973
Capital assets being depreciated			
Water, sewer and drainage facilities	16,643,401	7,717	16,651,118
Landscaping improvements	374,518		374,518
	<u>17,017,919</u>	<u>7,717</u>	<u>17,025,636</u>
Less accumulated depreciation			
Water, sewer and drainage facilities	(759,169)	(371,576)	(1,130,745)
Landscaping improvements	(37,452)	(37,452)	(74,904)
	<u>(796,621)</u>	<u>(409,028)</u>	<u>(1,205,649)</u>
Subtotal depreciable capital assets, net	<u>16,221,298</u>	<u>(401,311)</u>	<u>15,819,987</u>
Capital assets, net	<u>\$ 20,589,092</u>	<u>\$ 1,059,868</u>	<u>\$ 21,648,960</u>

Depreciation expense for the current fiscal year was \$409,028.

Note 6 – Due to Developer

The District has entered into a financing agreement with its developer for the financing of the construction of water, sewer, drainage, park and recreational facilities and road improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction cost plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 26,561,020
Developer funded construction and adjustments	4,020,525
Developer reimbursements	(14,563,919)
Operating advances from developer	(203,750)
Due to developer, end of year	<u>\$ 15,813,876</u>

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 20,275,000
Due within one year	\$ 260,000

The District’s bonds payable at March 31, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2023	\$ 12,405,000	\$ 12,405,000	3.50% - 5.00%	September 1, 2024/2047	September 1, March 1	May 1, 2030
2023 Road	7,870,000	7,870,000	5.00% - 7.50%	September 1, 2025/2054	September 1, March 1	December 1, 2030
	\$ 20,275,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At March 31, 2024, the District had authorized but unissued bonds in the amount of \$72,595,000 for water, sewer and drainage facilities and \$42,500,000 for the refunding of such bonds; \$10,800,000 for park and recreational facilities and \$5,400,000 for the refunding of such bonds; and \$54,130,000 for roads and \$31,000,000 for the refunding of such bonds.

On May 23, 2023, the District issued its \$12,405,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.877859%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities; operating advances; and creation costs, (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

On December 7, 2023, the District issued its \$7,870,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 5.454375%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; and (2); to pay capitalized interest into the Debt Service Fund.

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 7 – Long-Term Debt (continued)

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$	-
Bonds issued		20,275,000
Bonds payable, end of year	<u>\$</u>	<u>20,275,000</u>

As of March 31, 2024, annual debt service requirements on bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 260,000	\$ 992,457	\$ 1,252,457
2026	375,000	979,139	1,354,139
2027	395,000	961,067	1,356,067
2028	415,000	941,845	1,356,845
2029	445,000	921,169	1,366,169
2030	465,000	899,094	1,364,094
2031	495,000	875,514	1,370,514
2032	520,000	850,402	1,370,402
2033	550,000	824,021	1,374,021
2034	585,000	795,978	1,380,978
2035	615,000	766,286	1,381,286
2036	650,000	734,938	1,384,938
2037	685,000	703,375	1,388,375
2038	725,000	671,433	1,396,433
2039	760,000	637,258	1,397,258
2040	810,000	600,553	1,410,553
2041	855,000	561,173	1,416,173
2042	900,000	519,188	1,419,188
2043	950,000	473,750	1,423,750
2044	1,005,000	424,697	1,429,697
2045	1,060,000	372,706	1,432,706
2046	1,125,000	317,694	1,442,694
2047	1,185,000	259,531	1,444,531
2048	1,255,000	198,094	1,453,094
2049	380,000	156,756	536,756
2050	405,000	136,641	541,641
2051	425,000	115,106	540,106
2052	450,000	92,138	542,138
2053	480,000	67,725	547,725
2054	510,000	41,738	551,738
2055	540,000	14,175	554,175
	<u>\$ 20,275,000</u>	<u>\$ 16,905,641</u>	<u>\$ 37,180,641</u>

Waller County Municipal Utility District No. 19
Notes to Financial Statements
March 31, 2024

Note 8 – Property Taxes

On May 2, 2020, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a rate limited to \$0.25 per \$100 of assessed value for the maintenance of road facilities. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Waller County 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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.75 per \$100 of assessed value, of which \$0.43 was allocated to maintenance and operations and \$0.32 was allocated to debt service. The resulting tax levy was \$2,021,602 on the adjusted taxable value of \$269,546,951.

Note 9 – Transfers to Other Governments

The City of Brookshire assumes responsibility for the maintenance of public roads constructed within the city limits. Accordingly, road facilities are considered to be capital assets of the City, not the District and are recorded as transfers to other governments on the *Statement of Net Position* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2024, the District recorded transfers to other governments in the amount of \$2,551,629 for road facilities constructed by a developer within the District.

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 11 – Concentration of Risk

Approximately 99% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District’s ability to meet its future obligations.

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Required Supplementary Information

Waller County Municipal Utility District No. 19
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 110,094	\$ 160,059	\$ 49,965
Sewer service	6,856	9,210	2,354
Property taxes	703,196	1,152,960	449,764
Penalties and interest	280	1,664	1,384
Tap connection and inspection	2,100	30	(2,070)
Miscellaneous	100	15	(85)
Investment earnings	16,555	35,297	18,742
Total Revenues	839,181	1,359,235	520,054
Expenditures			
Current service operations			
Professional fees	186,500	119,474	67,026
Contracted services	82,300	79,775	2,525
Repairs and maintenance	415,440	341,334	74,106
Utilities	39,322	53,207	(13,885)
Administrative	41,832	46,071	(4,239)
Other	11,278	9,871	1,407
Total Expenditures	776,672	649,732	126,940
Revenues Over Expenditures	62,509	709,503	646,994
Other Financing Sources			
Internal transfers		60,731	60,731
Net Change in Fund Balance	62,509	770,234	707,725
Fund Balance			
Beginning of the year	666,073	666,073	
End of the year	\$ 728,582	\$ 1,436,307	\$ 707,725

Waller County Municipal Utility District No. 19
Notes to Required Supplementary Information
March 31, 2024

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Waller County Municipal Utility District No. 19

TSI-1. Services and Rates

March 31, 2024

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 50.00	N/A	N	\$ 3.70	10,001 to 20,000
				\$ 3.80	20,001 to 30,000
				\$ 3.90	30,001 to 40,000
				\$ 4.00	40,001 to no limit
Wastewater:	\$ 55.00	N/A	N	\$ 5.25	10,001 to 20,000
				\$ 5.35	20,001 to 30,000
				\$ 5.45	30,001 to 40,000
				\$ 5.55	40,001 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 50.00 Wastewater \$ 55.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"	20	20	x 8.0	160
3"	1	1	x 15.0	15
Total Water	21	21		175
Total Wastewater	9	9	x 1.0	9

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-1. Services and Rates
March 31, 2024

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>50,365,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>46,556,000</u>	(Gallons billed / Gallons pumped)
		<u>92.44%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Waller County

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

City(ies) in which the District is located: City of Brookshire

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

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-2. General Fund Expenditures
For the Year Ended March 31, 2024

Professional fees	
Legal	\$ 52,811
Audit	11,500
Engineering	55,163
	<u>119,474</u>
Contracted services	
Bookkeeping	45,289
Operator	32,833
Fire protection	1,653
	<u>79,775</u>
Repairs and maintenance	<u>341,334</u>
Utilities	<u>53,207</u>
Administrative	
Directors fees	14,601
Printing and office supplies	2,190
Insurance	17,048
Other	12,232
	<u>46,071</u>
Other	<u>9,871</u>
Total expenditures	<u>\$ 649,732</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-3. Investments
March 31, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Texas CLASS	Variable	N/A	\$ 1,387,003	\$ -
Certificates of deposit	5.50%	08/13/24	50,000	1,243
Certificates of deposit	5.49%	09/11/24	50,000	1,248
Certificates of deposit	5.65%	10/17/24	50,000	1,285
			<u>1,537,003</u>	<u>3,776</u>
Debt Service				
Texas CLASS	Variable	N/A	1,215,590	
Certificates of deposit	5.50%	01/04/25	165,000	2,138
Certificates of deposit	5.50%	08/13/24	180,000	4,475
Certificates of deposit	5.44%	08/09/24	235,000	6,970
			<u>1,795,590</u>	<u>13,583</u>
Capital Projects				
Texas CLASS	Variable	N/A	<u>72,106</u>	
Total - All Funds			<u>\$ 3,404,699</u>	<u>\$ 17,359</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-4. Taxes Levied and Receivable
March 31, 2024

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ -	\$ -	\$ -	
Adjustments to Prior Year Tax Levy	(5,876)		(5,876)	
Adjusted Receivable	(5,876)	-	(5,876)	
2023 Original Tax Levy	1,159,476	862,866	2,022,342	
Adjustments	(424)	(316)	(740)	
Adjusted Tax Levy	1,159,052	862,550	2,021,602	
Total to be accounted for	1,153,176	862,550	2,015,726	
Tax collections:				
Current year	1,158,837	862,390	2,021,227	
Prior years	(5,876)		(5,876)	
Total Collections	1,152,961	862,390	2,015,351	
Taxes Receivable, End of Year	\$ 215	\$ 160	\$ 375	
Taxes Receivable, By Years				
2023	\$ 215	\$ 160	\$ 375	
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 63,459,690	\$ 56,660,360	\$ 31,748,630	\$ 29,362,244
Improvements	198,717,580	62,537,430	39,081,260	
Personal Property	14,563,350	72,450		
Exemptions	(7,193,669)	(658,440)	(57,420)	(3,289)
Total Property Valuations	\$ 269,546,951	\$ 118,611,800	\$ 70,772,470	\$ 29,358,955
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.43	\$ 0.60	\$ 0.60	\$ 0.60
Debt service tax rates	0.32			
Total Tax Rates per \$100 Valuation	\$ 0.75	\$ 0.60	\$ 0.60	\$ 0.60
Adjusted Tax Levy:	\$ 2,021,602	\$ 711,671	\$ 424,635	\$ 176,154
Percentage of Taxes Collected to Taxes Levied **	99.98%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 2, 2020

* Maximum Roads Maintenance Tax Rate Approved by Voters: \$0.25 on May 2, 2020

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

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 260,000	\$ 554,707	\$ 814,707
2026	275,000	545,139	820,139
2027	290,000	534,755	824,755
2028	305,000	523,595	828,595
2029	325,000	511,544	836,544
2030	340,000	498,657	838,657
2031	360,000	484,827	844,827
2032	380,000	470,027	850,027
2033	400,000	454,427	854,427
2034	425,000	437,715	862,715
2035	445,000	419,880	864,880
2036	470,000	400,888	870,888
2037	495,000	380,375	875,375
2038	525,000	358,183	883,183
2039	550,000	334,258	884,258
2040	585,000	308,428	893,428
2041	615,000	280,673	895,673
2042	650,000	250,938	900,938
2043	685,000	218,375	903,375
2044	720,000	183,250	903,250
2045	760,000	146,250	906,250
2046	805,000	107,125	912,125
2047	845,000	65,875	910,875
2048	895,000	22,375	917,375
	<u>\$ 12,405,000</u>	<u>\$ 8,492,266</u>	<u>\$ 20,897,266</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ -	\$ 437,750	\$ 437,750
2026	100,000	434,000	534,000
2027	105,000	426,312	531,312
2028	110,000	418,250	528,250
2029	120,000	409,625	529,625
2030	125,000	400,437	525,437
2031	135,000	390,687	525,687
2032	140,000	380,375	520,375
2033	150,000	369,594	519,594
2034	160,000	358,263	518,263
2035	170,000	346,406	516,406
2036	180,000	334,050	514,050
2037	190,000	323,000	513,000
2038	200,000	313,250	513,250
2039	210,000	303,000	513,000
2040	225,000	292,125	517,125
2041	240,000	280,500	520,500
2042	250,000	268,250	518,250
2043	265,000	255,375	520,375
2044	285,000	241,447	526,447
2045	300,000	226,456	526,456
2046	320,000	210,569	530,569
2047	340,000	193,656	533,656
2048	360,000	175,719	535,719
2049	380,000	156,756	536,756
2050	405,000	136,641	541,641
2051	425,000	115,106	540,106
2052	450,000	92,138	542,138
2053	480,000	67,725	547,725
2054	510,000	41,738	551,738
2055	540,000	14,175	554,175
	<u>\$ 7,870,000</u>	<u>\$ 8,413,375</u>	<u>\$ 16,283,375</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 260,000	\$ 992,457	\$ 1,252,457
2026	375,000	979,139	1,354,139
2027	395,000	961,067	1,356,067
2028	415,000	941,845	1,356,845
2029	445,000	921,169	1,366,169
2030	465,000	899,094	1,364,094
2031	495,000	875,514	1,370,514
2032	520,000	850,402	1,370,402
2033	550,000	824,021	1,374,021
2034	585,000	795,978	1,380,978
2035	615,000	766,286	1,381,286
2036	650,000	734,938	1,384,938
2037	685,000	703,375	1,388,375
2038	725,000	671,433	1,396,433
2039	760,000	637,258	1,397,258
2040	810,000	600,553	1,410,553
2041	855,000	561,173	1,416,173
2042	900,000	519,188	1,419,188
2043	950,000	473,750	1,423,750
2044	1,005,000	424,697	1,429,697
2045	1,060,000	372,706	1,432,706
2046	1,125,000	317,694	1,442,694
2047	1,185,000	259,531	1,444,531
2048	1,255,000	198,094	1,453,094
2049	380,000	156,756	536,756
2050	405,000	136,641	541,641
2051	425,000	115,106	540,106
2052	450,000	92,138	542,138
2053	480,000	67,725	547,725
2054	510,000	41,738	551,738
2055	540,000	14,175	554,175
	<u>\$ 20,275,000</u>	<u>\$ 16,905,641</u>	<u>\$ 37,180,641</u>

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-6. Change in Long-Term Bonded Debt
March 31, 2024

	Bond Issue		Totals
	Series 2023	Series 2023 Road	
Interest rate	3.50% - 5.00%	5.00% - 7.50%	
Dates interest payable	9/1 ; 3/1	9/1 ; 3/1	
Maturity dates	9/1/24 - 9/1/47	9/1/25 - 9/1/54	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	12,405,000	7,870,000	20,275,000
Ending bonds outstanding	\$ 12,405,000	\$ 7,870,000	\$ 20,275,000
Interest paid during fiscal year	\$ 431,871	\$ 102,142	\$ 534,013
Paying agent's name and city All Series	BOK Financial, NA, Dallas, Texas		

	Water, Sewer and Drainage Bonds	Recreational Facilities Bonds	Road Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 85,000,000	\$ 10,800,000	\$ 62,000,000
Amount Issued	(12,405,000)		(7,870,000)
Remaining To Be Issued	\$ 72,595,000	\$ 10,800,000	\$ 54,130,000

	Water, Sewer and Drainage Refunding Bonds	Recreational Facilities Refunding Bonds	Road Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 42,500,000	\$ 5,400,000	\$ 31,000,000
Amount Issued			
Remaining To Be Issued	\$ 42,500,000	\$ 5,400,000	\$ 31,000,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of March 31, 2024: \$ 1,873,753

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,199,376

See accompanying auditor's report.

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Waller County Municipal Utility District No. 19

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020**
Revenues					
Water service	\$ 160,059	\$ 109,260	\$ 46,397	\$ -	\$ -
Sewer service	9,210	6,564	3,659		
Property taxes	1,152,960	717,547	424,635	176,154	
Penalties and interest	1,664	22,706	7,603		
Tap connection and inspection***	30	194,215	80,080	102,248	
Miscellaneous	15	180	167	90	
Investment earnings	35,297	7,506	19	26	
Total Revenues	<u>1,359,235</u>	<u>1,057,978</u>	<u>562,560</u>	<u>278,518</u>	<u>-</u>
Expenditures					
Current service operations					
Professional fees	119,474	186,392	107,929	128,411	60,377
Contracted services	79,775	166,594	66,962	26,416	1,134
Repairs and maintenance	341,334	322,116	124,626	10,680	
Utilities	53,207	31,988	25,010	5,388	
Administrative	46,071	31,478	29,530	34,373	831
Other	9,871	7,845	11,583	1,254	
Capital outlay		55,816			
Total Expenditures	<u>649,732</u>	<u>802,229</u>	<u>365,640</u>	<u>206,522</u>	<u>62,342</u>
Revenues Over/(Under) Expenditures	<u>\$ 709,503</u>	<u>\$ 255,749</u>	<u>\$ 196,920</u>	<u>\$ 71,996</u>	<u>\$ (62,342)</u>
Total Active Retail Water Connections	<u>21</u>	<u>21</u>	<u>10</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>9</u>	<u>9</u>	<u>3</u>	<u>N/A</u>	<u>N/A</u>

*Percentage is negligible

**Unaudited

***Tap connection and inspection in 2022 were restated.

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020**
12%	10%	8%		
1%	1%	1%		
84%	68%	76%	63%	
*	2%	1%		
*	18%	14%	37%	
*	*	*	*	
3%	1%	*	*	
100%	100%	100%	100%	
9%	18%	19%	46%	-
6%	16%	12%	9%	-
25%	30%	22%	4%	
4%	3%	4%	2%	
3%	3%	5%	12%	-
1%	1%	2%	*	
	5%			
48%	76%	64%	73%	-
52%	24%	36%	27%	-

Waller County Municipal Utility District No. 19
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year

	Amounts	Percent of Fund Total Revenues
	2024	2024
Revenues		
Property taxes	\$ 862,391	93%
Penalties and interest	750	*
Miscellaneous	6,560	1%
Investment earnings	52,114	6%
Total Revenues	<u>921,815</u>	<u>100%</u>
Expenditures		
Tax collection services	32,267	4%
Debt service		
Interest and fees	534,122	58%
Total Expenditures	<u>566,389</u>	<u>62%</u>
Revenues Over Expenditures	<u>\$ 355,426</u>	<u>38%</u>

*Percentage is negligible

See accompanying auditor's report.

Waller County Municipal Utility District No. 19
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2024

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): December 20, 2023
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Adam Hollingsworth	05/22 - 05/26	\$ 4,507	\$ 1,208	President
Brandon Starr	05/24 - 05/28	1,034		Vice President
Andrew Safier	05/22 - 05/26	1,997	118	Secretary
Paul Miles	05/24 - 05/28	1,184		Assistant Secretary
James Moehlman	05/24 - 05/28	2,589	278	Assistant Vice President
Consultants				
Allen Boone Humphries Robinson LLP	2020	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 78,197		
<i>Bond counsel fees</i>		502,901		
Inframark LLC	2020	183,699		Operator
Municipal Accounts & Consulting, L.P.	2020	44,902		Bookkeeper
Assessments of the Southwest Inc.	2020	8,400		Tax Collector
Waller County Appraisal District	Legislation	20,166		Property Valuation
Perdue, Brandon, Feilder, Collins & Mott, L.L.P.	2020			Delinquent Tax Attorney
BGE Inc.	2020	79,029		Engineer
McGrath & Co., PLLC	2020	33,300		Auditor
Robert W. Baird & Co. Incorporated	2020	409,687		Financial Advisor

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

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)