

OFFICIAL STATEMENT DATED JULY 10, 2024

NEW ISSUE-BOOK-ENTRY-ONLY

RATINGS: Insured: S&P “AA” (Stable Outlook), Moody’s “A1” (Stable Outlook)
Underlying Rating: Moody’s “A3”
See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

IN THE OPINION OF BOND COUNSEL (DEFINED BELOW), ASSUMING CONTINUING COMPLIANCE BY THE DISTRICT (DEFINED BELOW) AFTER THE DATE OF INITIAL DELIVERY OF THE BONDS (DEFINED BELOW) WITH CERTAIN COVENANTS CONTAINED IN THE BOND ORDER (DEFINED BELOW) AND SUBJECT TO THE MATTERS SET FORTH UNDER “TAX MATTERS” HEREIN, INTEREST ON THE BONDS FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE THEREOF (1) WILL BE EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS THEREOF PURSUANT TO SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED TO THE DATE OF INITIAL DELIVERY OF THE BONDS, AND (2) WILL NOT BE INCLUDED IN COMPUTING THAT ALTERNATIVE MINIMUM INCOME OF THE OWNERS THEREOF WHO ARE INDIVIDUALS.

THE BONDS ARE NOT DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”

\$6,330,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 433
(A Political Subdivision of the State of Texas Located in Harris County, Texas)

UNLIMITED TAX BONDS, SERIES 2024

Dated: August 1, 2024

Due: September 1, as shown on inside cover page

The \$6,330,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”), are obligations solely of Harris County Municipal Utility District No. 433 (the “District”) and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.

Interest on the Bonds will accrue from August 1, 2024, be payable March 1, 2025, and each September 1 and March 1 thereafter until the earlier of maturity or redemption and be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds will initially be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds shall be BOKF, NA, Dallas, Texas (the “Paying Agent”).

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. or its successor ASSURED GUARANTY INC. See “BOND INSURANCE – Bond Insurance Policy” herein.



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS, AND CUSIP NUMBERS**
(see inside cover page)

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of and Security for Payment.” INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the initial purchaser of the Bonds (the “Initial Purchaser”) subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about August 14, 2024, in Houston, Texas.

**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, REDEMPTION PROVISIONS, AND CUSIP NUMBERS
(Due September 1)**

CUSIP PREFIX: 41422S

Due	Principal Amount	Interest Rate^(a)	Initial Reoffering Yield^(b)	CUSIP Suffix^(c)	Due	Principal Amount	Interest Rate^(a)	Initial Reoffering Yield^(b)	CUSIP Suffix^(c)
2025	\$ 125,000	5.000%	3.600%	PZ9	***	***	***	***	***
2026	150,000	4.000%	3.550%	QA3	2040 *	275,000	4.000%	4.090%	QQ8
2027	150,000	5.000%	3.500%	QB1	2041 *	325,000	4.000%	4.130%	QR6
2028	150,000	5.000%	3.500%	QC9	2042 *	325,000	4.000%	4.170%	QS4
2029	150,000	5.000%	3.500%	QD7	2043 *	325,000	4.000%	4.200%	QT2
2030	175,000	4.000%	3.500%	QE5	2044 *	350,000	4.000%	4.230%	QU9
2031 *	175,000	4.000%	3.550%	QF2	2045 *	375,000	4.000%	4.260%	QV7
2032 *	200,000	4.000%	3.600%	QG0	2046 *	400,000	4.000%	4.290%	QW5
2033 *	200,000	4.000%	3.650%	QH8	2047 *	400,000	4.000%	4.320%	QX3
2034 *	225,000	4.000%	3.700%	QJ4	2048 *	655,000	4.000%	4.340%	QY1
2035 *	225,000	4.000%	3.750%	QK1					
2036 *	225,000	4.000%	3.800%	QL9					
2037 *	250,000	4.000%	3.900%	QM7					

\$500,000 4.000%^(a) Term Bond Due September 1, 2039* Yield 4.000%^(b) CUSIP Suffix QP0^(c)

* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bond maturing on September 1, 2039 (the "Term Bond") is also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.02% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 4.215208%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first optional redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from August 1, 2024, to the date of delivery of the Bonds to the Initial Purchaser is to be added to the purchase price.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

Assured Guaranty Municipal Corp. or its successor Assured Guaranty Inc. (the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer supplied by the Insurer and presented under the heading "Bond Insurance" and "APPENDIX C - Specimen Municipal Bond Insurance Policy".

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Any references to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule").

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or the 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, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

The statements contained in this Official Statement, and in other information provided by the District, which are not purely historical, are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements."

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION PRICES AND MARKETABILITY OF THE BONDS

Initial Purchaser

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the "Initial Purchaser" or the "Underwriter") bearing the lowest interest rates shown on the inside cover page hereof, at a price of 97.02% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.215208%, as calculated pursuant to Texas Government Code Chapter 1204, as amended (the "IBA" method).

Issue Price Certificate

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds, stating the prices at which the Bonds of each maturity has been sold or offered to the public. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

Prices and Marketability

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 Underwriter may over-allot or

effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over the 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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the offer and sale of the Bonds has been filed with the 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 RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign insured ratings of "AA" (stable outlook) and "A1" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. or its successor Assured Guaranty Inc. (the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "A3" to the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. 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 such rating company, if, in the judgement of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") 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. In the event the Bonds are issued after the effectiveness of the Merger (as defined below), the Policy relating to the Bonds will be substantively identical to the form appended to this Official Statement, except that the Policy will be issued by AG (as defined below) in place of AGM. See "-- Assured Guaranty Municipal Corp. -- Planned Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc."

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 Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), 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 AGM is obligated to pay claims under the insurance policies AGM has issued, and not AGL or any of its shareholders or other affiliates.

AGM'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 AGM 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 AGM in its sole discretion. In addition, the rating agencies may at any time change AGM'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 AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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.

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

On July 8, 2024, AGL (together with its subsidiaries, “Assured Guaranty”) announced that AGM will merge with and into its affiliate, Assured Guaranty Inc. (“AG”), with AG as the surviving company (such transaction, the “Merger”). AG, a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of AGL, was formerly known as Assured Guaranty Corp. The effective date of the Merger is expected to be on or about August 1, 2024.

The Merger is expected to expand the pool of capital available to support each new and existing insurance policy, result in a further diversification of the combined company’s insured portfolio’s credit profile, and strengthen Assured Guaranty’s ability to continue successfully executing its strategies to achieve its business objectives. Upon the effectiveness of the Merger, the combined company, compared with either AGM or AG before the Merger, will have:

- a larger, highly diversified insured portfolio,
- a larger investment portfolio and a larger capital base, and
- more total claims-paying resources.

Currently, AGM and AG have the same financial strength ratings from S&P (AA/Stable), Moody’s (A1/Stable) and KBRA (AA+/Stable). AG’s insurance financial strength ratings are expected to be unaffected by the Merger.

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, affirmed the insurance financial strength ratings of AGM and AG of “A1” (stable outlook). On July 9, 2024, S&P stated that the Merger will not change its assessment of the Assured Guaranty group’s business risk or financial risk positions. On July 8, 2024, KBRA commented that, upon the expected August 1, 2024 closing of the Merger, AG’s insurance financial strength rating of “AA+” (stable outlook) will remain unchanged.

Current Financial Strength Ratings

On July 10, 2024, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook).

On October 20, 2023, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook).

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

Capitalization of AGM and Pro Forma Combined AG

As of March 31, 2024
(dollars in millions)

	AGM (Actual)	AG (Pro Forma Combined)
Policyholders’ surplus	\$2,665	\$4,013
Contingency reserve	\$892	\$1,312
Net unearned premium reserves and net deferred ceding commission income ⁽¹⁾	\$2,036	\$2,385

⁽¹⁾ Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM or pro forma combined AG, as applicable, and (ii) the net unearned premium reserves and net deferred ceding commissions of Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

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

Incorporation of Certain Documents by Reference

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

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

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 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 AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Investment in the Bonds is subject to certain investment considerations. See “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

- The District..... Harris County Municipal Utility District No. 433 (the “District”), located in Harris County, Texas, was created, along with the adjacent Harris County Municipal Utility District No. 435 (“HCMUD 435”), by order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), effective January 17, 2006. Both the District and HCMUD 435 were confirmed pursuant to elections held within each district on May 13, 2006. On May 14, 2011, HCMUD 435 and the District held elections consolidating the District with HCMUD 435 by terms of a consolidation agreement dated February 1, 2011 (the “Consolidation Agreement”). The terms of the Consolidation Agreement included, among other matters, the assumption of voted but unissued bonds payable in whole or in part from taxes, the levy of taxes to pay for bonds, and the adoption of the name of the District as the name of the consolidated district. The District, a political subdivision of the State of Texas, was created for the purpose of providing, operating, and maintaining facilities to control storm water, to distribute potable water, and to collect and treat wastewater, and operates pursuant to Chapters 49 and 54 of the Texas Water Code and Article XVI, Section 59 of the Texas Constitution, both as amended, and other general statutes of the State of Texas applicable to municipal utility districts. See “THE DISTRICT – General.”

- Location The District is located in Harris County within the extraterritorial jurisdiction of the City of Houston, approximately 25 miles northwest of downtown Houston and approximately 1 mile south of the intersection of U.S. Highway 290 and Fry Road. The District is located entirely within the jurisdiction of the Cypress-Fairbanks Independent School District. Access to the District is provided by U.S. Highway 290 to Fry Road. See “THE DISTRICT - Location.”

- The Developer The developer currently active within the District is GC Tuckerton-Fry One, L.P., a Texas limited partnership (“GC Tuckerton-Fry One” or the “Developer”). See “THE DEVELOPER.”

- Status of Development within the District..... Of the approximate 797 acres encompassed by the District, approximately 760 are developable. As of April 1, 2024, approximately 737.29 acres (or 97.00% of the approximately 760 developable acres within the District) have been or are being developed with utility facilities as the single-family residential subdivision Cypress Creek Lakes, retail improvements, and multi-family improvements. Such acreage also includes fifteen lakes totaling approximately 59 acres and two recreation centers on approximately 12 acres. Single family development within the District includes 1,324 completed homes on 1,324 developed single-family lots. The District contains an approximately 98,000 square foot HEB Grocery Store on approximately 15.77 acres, three commercial buildings totaling approximately 52,000 square feet and three pad sites on approximately 9.32 acres called the Cypress Creek Plaza, a Lifetime Fitness Center on approximately 13.45 acres, an Ivy Kids Daycare Center on approximately 1.54 acres, a 360 unit apartment complex on approximately 13.32 acres called Alys Crossing, a 336 unit apartment complex on approximately 12.87 acres called Highpark, and Cy Life Church, which is exempt from ad valorem taxation, on approximately 30 acres. Additionally, various retail sites and multi-family units are currently under construction in the District. Commons at Cypress Creek (approximately 4.61 acres, expected to contain one retail site and three fast food restaurants totaling approximately 25,674 square feet) and the retail center at Tuckerton and Fry Road (approximately 20.55 acres, expected to contain multiple retail sites, multiple fast food restaurants, coffee shop, pharmacy, auto service center and car wash totaling approximately 83,456 square feet) are currently under construction and are expected to be completed by the fourth quarter of 2024. The Parkland Apartments (378 units on approximately 13.27 acres) and the Cypress Creek Apartments (351 units on approximately 13.15 acres) are currently under construction, and both expect to start leasing units and have residents by the third quarter of 2024. Additionally, construction of the utility facilities to serve an approximately 8.13-acre tract has been completed, which is expected to be comprised of a senior living complex (called 55 Resort and containing 182 units; construction of which has not yet begun). The District also contains approximately 22.78 acres of remaining developable acres, and approximately 37.14 acres of undevelopable acreage. See “THE DISTRICT - Status of Development.”

THE BONDS

Description.....	The Bonds in the aggregate principal amount of \$6,330,000 mature serially in varying amounts on September 1 of each year from 2025 through 2037, inclusive, and from 2040 through 2048, inclusive, and as a Term Bond which matures on September 1, 2039 (the “Term Bond”). Interest accrues from August 1, 2024, at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2025, and each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS - General Description.”
Redemption	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bond is also subject to mandatory sinking fund redemption. See “THE BONDS - Redemption.”
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of Texas; or any entity other than the District. See “THE BONDS - Source of and Security for Payment.”
Payment Record	The Bonds constitute the thirteenth installment of new money bonds issued by the District. The District has also issued two series of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its previously issued bonds. After the issuance of the Bonds, the District will have \$81,625,000 aggregate principal amount of bonds outstanding (the “Outstanding Bonds”). See “FINANCIAL STATEMENT – Outstanding Bonds – Table 6.”
Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 8, 2011 (the “Bond Election”); the approving order of the TCEQ; and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds. See “THE BONDS - Authority for Issuance.”
Bonds Authorized But Unissued.....	At the Bond Election, the voters within the District approved the issuance of \$200,000,000 in unlimited tax bonds for water, wastewater, and drainage facilities. The Bonds constitute the eleventh installment of new money unlimited tax bonds for water, wastewater, and drainage facilities issued by the District. After the issuance of the Bonds, the District will have \$126,505,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities as authorized by the Bond Election. Additionally, at the Bond Election, the voters within the District also approved the issuance of \$15,000,000 in unlimited tax bonds for the acquisition and construction of roads, of which \$4,845,000 remains authorized but unissued. Additionally, at the Bond Election, the voters within the District also approved the issuance of \$20,000,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, of which \$13,000,000 remains authorized but unissued. See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6” and “Unlimited Tax Bonds Authorized but Unissued – Table 5” and “THE BONDS – Issuance of Additional Debt.”
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to finance a 0.6 MGD Wastewater Treatment Plant, as well as certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal tax purposes under existing law, subject to matters described in “TAX MATTERS” herein and will not be included in the alternative minimum taxable income of the owners thereof who are individuals.
Not Qualified Tax-Exempt Obligations.....	The Bonds are not designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions

Municipal Bond Ratings and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) are expected to assign insured ratings of “AA” (stable outlook) and “A1” (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. or its successor Assured Guaranty Inc. (the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s has assigned an underlying rating of “A3” to the Bonds.
Bond Counsel.....	Norton Rose Fulbright US LLP, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Public Finance Group LLC, Austin, Texas.
Engineer	BGE, Inc., Houston, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations, and all prospective purchasers are urged to carefully examine the Official Statement, including particularly the section captioned “INVESTMENT CONSIDERATIONS,” with respect to investment in the Bonds.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2023 Certified Assessed Valuation	\$ 875,955,305 ^(a)
2024 Preliminary Assessed Valuation	\$ 1,009,606,254 ^(b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 81,625,000 ^(c)
Ratio of Gross Debt to 2023 Certified Assessed Valuation	9.32%
Ratio of Gross Debt to 2024 Preliminary Assessed Valuation	8.08%
2023 Tax Rate	
Debt Service	\$ 0.5185
Maintenance	<u>0.3490</u>
Total 2023 Tax Rate	\$ 0.8675 ^(d)
Bond Fund Balance (as of July 10, 2024)	\$ 5,000,160 ^(e)
Percentage of current tax collections (Tax Year 2023)	98.90% ^(f)
Percentage of total tax collections (Tax Years 2011-2023)	99.83% ^(f)
Average Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Average Requirement") (2024-2048, inclusive)	\$ 4,852,701
Tax Rate Required to pay Average Requirement based upon the 2023 Certified Assessed Valuation at 95% collections	\$0.59 /\$100 AV
Tax Rate Required to pay Average Requirement based upon the 2024 Preliminary Assessed Valuation at 95% collections	\$0.51 /\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Maximum Requirement") (2045)	\$ 5,133,000
Tax Rate Required to pay Maximum Requirement based upon the 2023 Certified Assessed Valuation at 95% collections	\$0.62 /\$100 AV
Tax Rate Required to pay Maximum Requirement based upon the 2024 Preliminary Assessed Valuation at 95% collections	\$0.54 /\$100 AV
Number of active connections as of April 1, 2024	
Single Family - Occupied	1,323
Single Family - Unoccupied	1
Commercial	42
Apartment (696 total units/663 occupied units)	4
Irrigation/Other	<u>50</u>
Total Number of Active Connections	1,420
Estimated Population as of April 1, 2024	5,627 ^(g)

(a) Assessed valuation of the District as of January 1, 2023, as certified by the Harris Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."

(b) Preliminary Assessed Valuation as of January 1, 2024, as provided by HCAD. See "TAXING PROCEDURES."

(c) Includes the Bonds.

(d) The District levied a 2023 tax rate of \$0.8675 per \$100 assessed valuation.

(e) Unaudited as of July 10, 2024. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.

(f) Unaudited as of March 31, 2024. See "TAX DATA – Tax Collections – Table 10."

(g) Based on 3.0 residents per active occupied single-family connection and 2.5 residents per occupied apartment unit. As of April 1, 2024, the Alys Crossing Apartments were 95.83% occupied (345 units occupied), and the Highpark Apartments were 94.64% occupied (318 units occupied).

**OFFICIAL STATEMENT
relating to**

**\$6,330,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 433
(A Political Subdivision of the State of Texas Located in Harris County, Texas)**

UNLIMITED TAX BONDS, SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 433 (the “District”) of its Unlimited Tax Bonds, Series 2024 (the “Bonds”). The Bonds are issued pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, general laws of the State of Texas applicable to municipal utility districts, and an order by the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”).

Included in this Official Statement are descriptions of the Bonds and the Bond Order. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District, c/o Norton Rose Fulbright US LLP, 1301 McKinney, 51st Floor, Houston, Texas 77010, upon payment of duplication costs.

THE BONDS

General Description

The \$6,330,000 Harris County Municipal Utility District No. 433 Unlimited Tax Bonds, Series 2024 (the “Bonds”) will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof.

Interest on the Bonds will accrue from August 1, 2024, and is payable March 1, 2025, and each September 1 and March 1 thereafter until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof. The initial paying agent/registrars for the Bonds will be BOKF, NA, Dallas, Texas (“Paying Agent/Registrar”). The principal of and interest on the Bonds shall be payable without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debt due in the United States of America. Interest on the Bonds (except for interest paid as part of the Redemption Price) which is payable, and which is paid on or duly provided for on or within 10 days after any interest payment date shall be paid to the person to whom the Bond is registered on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date (the “Record Date”). All payments of interest shall be by check mailed, first-class postage prepaid, to the person entitled hereto at such person’s address as it appears on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and such person at the risk and expense of such person.

If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption

Optional Redemption . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar by lot. Optional redemption of Bonds may be conditioned on issuance of refunding bonds or other obligations to pay the Redemption Price.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Bond maturing on September 1, 2039 (the “Term Bond”) is subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Bond Fund:

\$500,000 Term Bond Maturing September 1, 2039	
Mandatory	
Redemption	Principal
<u>Date</u>	<u>Amount</u>
2038	\$250,000
2039*	250,000

* Stated Maturity

The District, at its option, may credit against any mandatory sinking fund redemption requirement Bonds of the maturity then subject to redemption which have been purchased and cancelled by the District or have been redeemed and therefore applied as credit against any mandatory sinking fund redemption requirement.

Notice of Redemption . . . Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each Registered Owner of Bonds to be redeemed. All notices shall state:

1. the redemption date,
2. the redemption price,
3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in case of partial redemption within a stated maturity, the respective Bond numbers, and principal amounts) of Bonds to be redeemed,
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment. The notice of redemption must state if redemption is conditioned on issuance of refunding bonds or other obligations to pay the redemption price.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bonds the same shall be surrendered in exchange for one or more new Bonds of the same stated maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the redemption date. Optional redemption of the Bonds may be conditioned on the issuance of refunding bonds or other obligations to pay the redemption price.

Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Payment . . . The principal and Redemption Price of the Bonds is payable upon surrender at the designated paying office of the Paying Agent/Registrar (the “Place of Payment”).

Interest on any Bond which is payable, and which is paid or duly provided for on or within 10 days after, any Interest Payment Date shall be paid to the Person in whose name such Bond (or one or more Predecessor Bonds evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next proceeding such Interest Payment Date. Any interest on any Bond which is payable on, but is not paid or duly provided for on or within 10 days after, any Interest Payment Date (herein referred to as “Defaulted Interest”) shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid to the Person in whose name such Bond (or one or more respective Predecessor Bonds) is registered at the close of business on a special record date (the “Special Record Date”) for the payment of such Defaulted Interest. The Regular Record Date for the Bonds for the interest payable on any Interest Payment Date is the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date.

Registration . . . The District shall cause to be kept at the Place of Payment a register (herein referred to as the “Security Register”) in which the Paying Agent/Registrar shall provide for the registration of the Bonds and registration of transfers of the Bonds. Upon surrender for transfer of any Bond at the Place of Payment, the District will execute, and the Paying Agent/Registrar will register and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any

Bonds are surrendered for exchange, the District will execute, and the Paying Agent/Registrar will register and deliver the Bonds which the Registered Owner of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the District and the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge may be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Authority for Issuance

At an election held within the District on November 8, 2011 (the “Bond Election”), the voters within the District approved the issuance of \$200,000,000 in unlimited tax bonds for water, wastewater, and drainage facilities. The Bonds constitute the eleventh installment of new money unlimited tax bonds for water, wastewater, and drainage facilities issued by the District. After the issuance of the Bonds, the District will have \$126,505,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities as authorized by the Bond Election. Additionally, at the Bond Election, the voters within the District also approved the issuance of \$15,000,000 in unlimited tax bonds for the acquisition and construction of roads, of which \$4,845,000 remains authorized but unissued. Additionally, at the Bond Election, the voters within the District also approved the issuance of \$20,000,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, of which \$13,000,000 remains authorized but unissued.

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

Source of and Security for Payment

For each year while any Bond is Outstanding and the District remains in existence, the District must assess a continuing direct annual ad valorem tax upon each \$100 valuation of taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, (1) to pay interest on the Bonds as it becomes due, (2) to provide for the payment of the principal of the Bonds when due or the Redemption Price at any earlier required Redemption Date, and (3) to pay the expenses of assessing and collecting such tax.

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

Payment Record

The Bonds constitute the thirteenth installment of new money bonds issued by the District. The District has also issued two series of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its previously issued bonds. After the issuance of the Bonds, the District will have \$81,625,000 aggregate principal amount of bonds outstanding (the “Outstanding Bonds”). See “FINANCIAL STATEMENT – Outstanding Bonds – Table 6.”

Flow of Funds

To provide for the payment of the principal (and Redemption Price) of, interest on, and Paying Agent fees in respect of the Bonds, the District shall maintain a special account (herein the “Bond Fund”) on its books of account as part of its interest and sinking fund. The District shall credit to the Bond Fund (1) on the Issue Date, from the proceeds from the sale of the Bonds, an amount equal to interest accruing on the Bonds from the Dated Date to the Issue Date; (2) all receipts of taxes (and penalty and interest thereon) net of collection costs levied to provide for the payment of principal of and interest on (or fees and expenses of the Paying Agent with respect to) the Bonds; (3) all earnings from the investment of amounts credited to the Bond Fund; and (4) any other funds of the District deposited to the Bond Fund to pay principal (or Redemption Price) of or interest on the Bonds.

While the Bonds are Outstanding, the Bond Fund shall be used solely to pay principal of and redemption price of and interest on the Bonds and the Outstanding Bonds and Paying Agent fees and expenses with respect to the Bonds and the Outstanding Bonds.

Defeasance of Outstanding Bonds

Any Bond shall be deemed to be paid and shall no longer be considered to be a Bond within the meaning of the Bond Order when payment of the principal of and interest on such Bond to the Stated Maturity thereof or (if notice of redemption shall have been duly given, irrevocably

provided for, or waived as provided in the Bond Order) to the Redemption Date shall have been made or shall have been provided for by deposit with the Paying Agent for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

If such deposit is made for some but not all of the Bonds then Outstanding, the District shall designate the series and Stated Maturities of Outstanding Bonds for which such deposit is made. If such deposit shall be sufficient to provide for the payment of the principal of and interest on some but not all Outstanding Bonds of a particular Stated Maturity so designated, the Paying Agent shall select the Outstanding Bonds of such Stated Maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar shall deem fair and appropriate and which may provide for the selection of portions (equal to \$5,000 or any integral multiple thereof) of the principal amount of Bonds of a denomination larger than \$5,000.

“Governmental Obligations” means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody’s Investors Service or Standard & Poor’s Rating Services, or any successor to the bond operations of either of such corporations, but in the case of both Clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Paying Agent/Registrar

The District reserves the right in the Bond Order to remove the Paying Agent/Registrar without cause. Every successor Paying Agent/Registrar must at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the Securities and Exchange Commission. The Paying Agent/Registrar may be removed by action of the Board and not less than 30 days' notice to each Registered Owner specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor agent, but no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar under the Bond Order.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ (except in the case of unlimited tax bonds for roads) and if necessary, the voters of the District, as necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT – General.” The District’s voters have authorized the issuance of a total of \$200,000,000 in bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities, of which \$126,505,000 remains authorized but unissued.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purposes. At an election held on November 8, 2011, voters in the District authorized the issuance of \$20,000,000 in park and recreational facilities bonds, of which \$13,000,000 remains authorized but unissued.

The District’s voters, at the election held within the District on November 8, 2011, also authorized the issuance of \$15,000,000 in bonds for the acquisition and construction of roads, of which \$4,845,000 remains authorized but unissued.

Voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes, and the District may issue refunding bonds to refund its outstanding unlimited tax bonds. The District also has the right to enter into certain other obligations including the issuance of revenue bonds and notes, bond anticipation notes and tax anticipation notes without voter approval. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional debt which may be issued by the District. Any additional debt issued by the District may dilute the security of the Bonds. In the opinion of the District’s engineer, voter-authorized bonds will be required for future maintenance of the District’s infrastructure. See “INVESTMENT CONSIDERATIONS – Future Debt.”

Lost, Stolen, Mutilated or Destroyed Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under the Bond Order, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

“(a) All bonds, notes and other obligations issue 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 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.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Tax Covenants

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended.

Additional Covenants

The District has additionally covenanted in the Bond Order that it will:

1. To the extent prudent and ordinary for political subdivisions of types and operating properties similar to the District, the District shall maintain its properties in good condition and repair, ordinary wear and tear and obsolescence excepted, and operate such properties in an efficient manner and at a reasonable cost.
2. The District shall maintain insurance on or self-insure its properties of a kind and in an amount which usually would be carried by private companies operating similar properties and engaged in a similar type of business but considering any governmental immunities to which the District may be entitled.
3. The District shall obtain and comply with the terms and conditions of all franchises, permits, and authorizations obtained from any other governmental agency applicable to or necessary with respect to its properties and shall keep all such franchises, permits, and authorizations in full force and effect.
4. The District shall not mortgage or otherwise encumber the facilities for which the Bonds were issued, or any part thereof, or sell, lease, or otherwise dispose of any substantial portion of such facilities unless in order to cooperate with other political subdivisions or entities to provide for a regional waste disposal or water supply system.

Remedies in Event of Default

The Bond Order provides that if the District shall default in the payment of the principal of or interest on the Bonds when due or in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Bondholder shall, in addition to all other rights and remedies of such owner of Bonds, be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to make such payment or to observe and perform such covenant, obligation, or condition.

The Bond Order provides no additional remedies to a Bond owner. Specifically, the Bond Order does not provide for an appointment of a trustee to protect and enforce the interests of the Bond owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District’s obligations. Consequently, the remedy of mandamus is a remedy, which may have to be enforced from year to year by the Bond owners.

Statutory language authorizing the District to sue and be sued does not waive the District's sovereign immunity to suit for money damages. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. If such suit were allowed and a judgment obtained, the Bond owners could not foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds or otherwise satisfy such judgment. In addition, the enforceability of the rights and remedies of the Bond owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"), the District must conform to a City ordinance consenting to the creation of the District. The District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Upon annexation, the City would assume the District's assets and obligations, including the Bonds, and dissolve the District. The District has no control or knowledge of the annexation plans of the City; therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur.

Consolidation

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

The District was created, along with the adjacent Harris County Municipal Utility District No. 435 ("HCMUD 435"), by order of the TCEQ effective January 17, 2006. Both the District and HCMUD 435 were confirmed pursuant to elections held within each district on May 13, 2006. On May 14, 2011, the District held an election consolidating the District with HCMUD 435 by terms of a consolidation agreement dated February 1, 2011 (the "Consolidation Agreement"). The terms of the Consolidation Agreement included, among other matters, the assumption of voted but unissued bonds payable in whole or in part from taxes, the levy of taxes to pay for bonds and maintenance taxes, and the adoption of the District as the name of the consolidated district.

Although no additional consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. The District would be required to obtain the consent of the City before adding any land to the City's extraterritorial jurisdiction or corporate limits. No representation is made concerning the likelihood that the District would effect any further change in its boundaries.

No Arbitrage

The District certifies that based upon all facts or estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents 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 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 the proceeds of the Bonds, and take such other and further actions and follow such procedures 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.

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 does not pass upon or guarantee the quality of the Bonds as an investment, nor does the Attorney General of Texas pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments to Bond Order

The District may, without the consent of or notice to any Bondholder, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Holders of all of the affected Outstanding Bonds, no such amendment, addition, or rescission shall (1) change the Stated Maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is

payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term “Outstanding”, or (4) modify any of the provisions of the section in the Bond Order related to amendments thereto, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to finance a 0.6 MGD Wastewater Treatment Plant, as well as certain costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds are set forth below. Of the proceeds to be received from the sale of the Bonds, \$5,766,008 is required for construction costs, and \$563,992 is required for non-construction costs.

Construction Costs

A. District Items

1. 0.6 MGD Wastewater Treatment Plant	\$	5,241,825
2. Contingency (10% of Item 1)		524,183
Total District Items	\$	5,766,008
Total Construction Costs	\$	5,766,008

Non-Construction Costs

A. Legal Fees (2%)	\$	126,600
B. Fiscal Agent Fees (2.5%)		158,250
C. Bond Discount (2.98%)		188,802
D. Bond Issuance Expenses		42,087
E. Bond Application Report Costs		25,000
F. Attorney General Fee (0.10%)		6,330
G. TCEQ Bond Issuance Fee (0.25%)		15,825
H. Contingency ^(a)		1,098
Total Non-Construction Costs	\$	563,992
TOTAL BOND ISSUE REQUIREMENT	\$	6,330,000

(a) The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on use of surplus Bond funds.

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. 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 Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District makes no representation that over the life of the Bonds 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 any property if the District forecloses on property to enforce its tax lien. See "Registered Owners' Remedies and Bankruptcy Limitations."

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences. The market value of such homes is related to general economic conditions affecting the demand for and taxable value of residences. Demand for residential dwellings can be significantly affected by factors such as interest rates, credit availability, foreclosure levels, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of residences is directed.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single-family mortgage lending and real estate development lending. Additionally, lenders have been increasingly selective in making real estate development loans in the Houston area because of the negative impact on their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies.

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

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously owned homes in more established neighborhoods closer to downtown Houston that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

Developer under No Obligation to the District: There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA – Principal Taxpayers – Table 12."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Certified Taxable Assessed Valuation of the District is \$875,955,305. After issuance of the Bonds, the Maximum Requirement will be \$5,133,000 (2045) and the Average Requirement will be \$4,852,701 (2024 through 2048, inclusive). Assuming (1) no increase or decrease from the 2023 Certified Taxable Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.62 and \$0.59 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's 2024 Preliminary Taxable Assessed Valuation is \$1,009,606,254. Based upon the assumptions above, tax rates of \$0.54 and \$.051 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

Future and Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered Owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, Registered Owners to enforce such remedies. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Tropical Storm Imelda, which made landfall along the Texas Gulf Coast on September 17, 2019, and brought excessive levels of rainfall during the successive four days. According to the Operator (defined herein) there were no interruptions of water and sewer service as a result of Tropical Storm Imelda. According to the Engineer (defined herein), the District's system did not sustain any material damage from Tropical Storm Imelda. To the knowledge of the District, no homes within the District experienced structural flooding or other damage as a result of Tropical Storm Imelda.

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

River (or Fluvial) Flood: 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 overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation- Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based 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.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

Marketability

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for 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.

Continuing Compliance with Certain Covenants

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

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$126,505,000 authorized but unissued unlimited tax bonds for water, wastewater, and drainage purposes, \$13,000,000 of unlimited tax bonds for parks and recreational facilities, \$4,845,000 of unlimited tax bonds for roads, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and, except in the case of unlimited tax bonds for roads, the TCEQ.

Mischer Development, LP ("Mischer"), a former developer who has completed the development of their land in the District, has advanced funds to pay for the installation of water, wastewater, and drainage facilities, roads, and parks and recreational facilities in the District. Mischer

has been fully reimbursed for the construction of all roads, water, wastewater, and drainage facilities. The District continues to owe Mischer approximately \$5,600,000 plus interest for parks and recreational facilities, which the District may pay a portion of out of future bond issuances.

The developer currently active within the District is GC Tuckerton-Fry One, L.P., a Texas limited partnership (“GC Tuckerton-Fry One” or the “Developer”). GC Tuckerton-Fry One has advanced approximately \$6,978,866 to pay for the installation of water, wastewater, and drainage facilities to serve property within the District and approximately \$4,896,525 for the installation of roads within the District, which the District intends to pay out of out of future bond issuances.

Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of certain additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS –Issuance of Additional Debt.” See “FINANCIAL STATEMENT –Unlimited Tax Bonds Authorized but Unissued.”

Environmental Regulation

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

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

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

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

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

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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.

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Approval of the Bonds

The TCEQ approved the issuance of the Bonds by an order signed on May 23, 2024 (the “TCEQ Order”). The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, which are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Bond Insurance Risks

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 earlier due date of such principal by reason of mandatory or optional redemption, 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 redemption. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional redemption of the Bonds which is recovered by the District from the owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such redemption by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer's consent may be required in connection with amendments to the Bond Order.

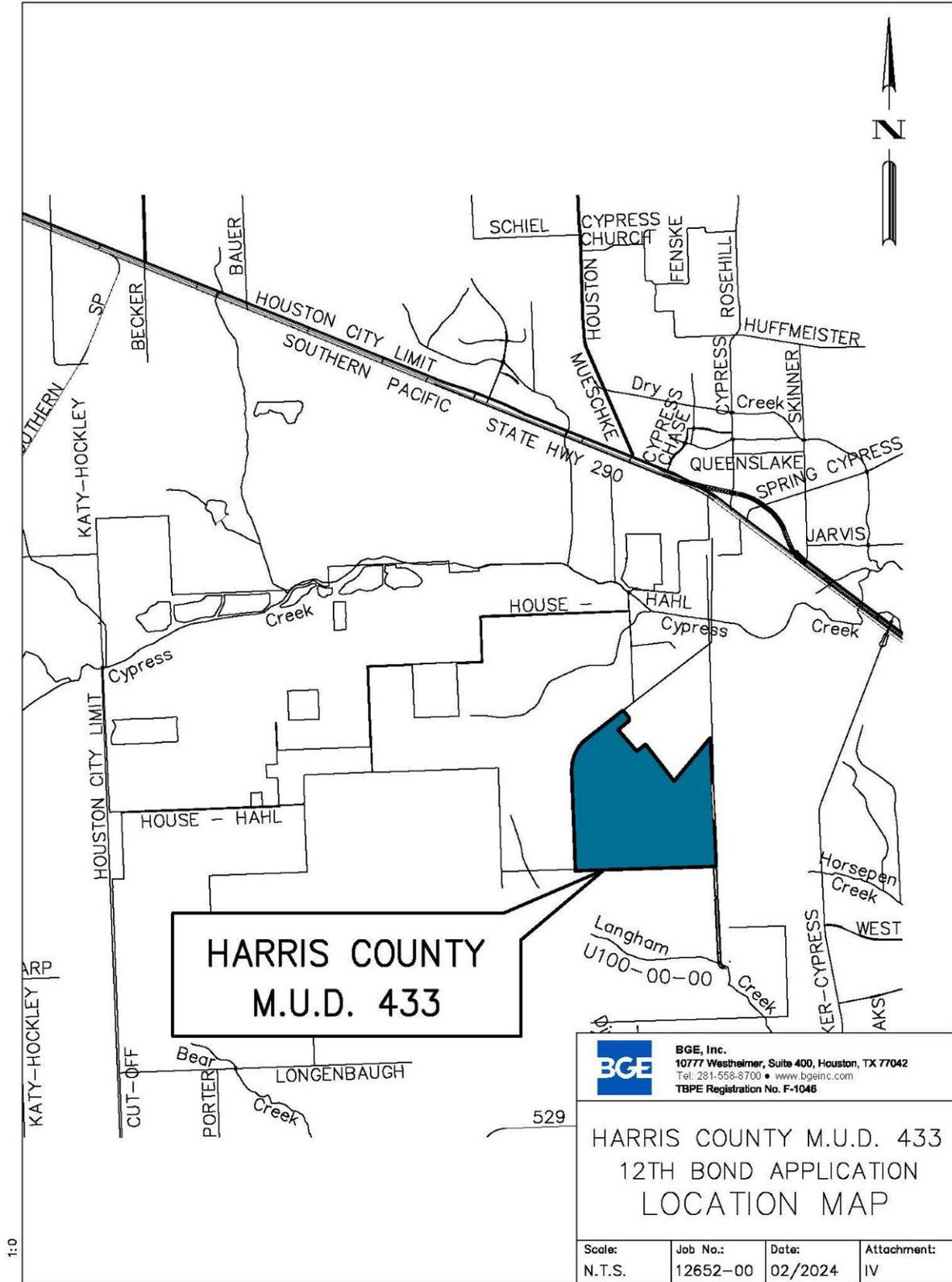
In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Bond Order. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such an event will not adversely affect the market price of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its ability to pay claims, which is predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such an event could adversely affect the market price of the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency. No independent investigation into the ability of the Bond Insurer to pay claims has been made and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

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LOCATION MAP



HARRIS COUNTY
M.U.D. 433

BGE BGE, Inc.
10777 Westheimer, Suite 400, Houston, TX 77042
Tel: 281-558-8700 • www.bgeinc.com
TBPE Registration No. F-1046

529

HARRIS COUNTY M.U.D. 433
12TH BOND APPLICATION
LOCATION MAP

Scale: N.T.S.	Job No.: 12652-00	Date: 02/2024	Attachment: IV
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THE DISTRICT

General

The District was created by order of the TCEQ, adopted on January 17, 2006, and by a confirmation election held within the District on May 13, 2006, along with Harris County Municipal Utility District No. 435 (“HCMUD 435”). On May 14, 2011, the District held an election consolidating the District with HCMUD 435 by terms of a consolidation agreement dated February 1, 2011 (the “Consolidation Agreement”). The terms of the Consolidation Agreement included, among other matters, the assumption of voted but unissued bonds payable in whole or in part from taxes, the levy of taxes to pay for bonds and maintenance taxes, and the adoption of the District as the name of the consolidated district. The District operates as a municipal utility district pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ. The District as created contained approximately 485.07 acres. After the consolidation election held on May 14, 2011, the District currently contains approximately 797.21 acres.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and is empowered to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District, the City of Houston, and the TCEQ.

Management of the District

Board of Directors: The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on the second Saturday in May in each even numbered year. All of the directors listed below own property within the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Walter D. Doyle	President	2028	9 Years
Scott Forbes	Vice President	2028	19 Years
Derek Wallace	Secretary	2026	3-½ Years
Taylor Cavnar	Treasurer	2026	18 Years
Hudson T. Hagood	Assistant Secretary	2026	6 Months

Consultants

Tax Assessor/Collector: The Harris Central Appraisal District appraises land and improvements in the District. The Board of Directors of the District appoints the Tax Assessor/Collector. Tax Tech, Inc. (“Tax Tech”) currently serves the District in this capacity under contract.

Bookkeeper: Municipal Accounts & Consulting, L.P. serves as bookkeeper to the District.

Operator: The District’s water and sewer system is operated by Inframark (the “Operator”).

Engineer: The District's consulting engineer is BGE, Inc. (the “Engineer”).

Auditor: The District's 2023 financial statements were audited by McGrath & Co., PLLC, Certified Public Accountants. The District's Audited Financial Statements as of August 31, 2023, have been included as Appendix A.

Bond Counsel: The District has engaged Norton Rose Fulbright US LLP, Houston, Texas, to serve as Bond Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. This firm also acts as General Counsel to the District on matters not related to the issuance of bonds and is compensated based on time charges actually incurred.

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, to serve as Disclosure Counsel in connection with the issuance of the Bonds. The fees paid to Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Public Finance Group LLC serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based upon the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Location

The District is located in Harris County within the extraterritorial jurisdiction of the City of Houston, approximately 25 miles northwest of downtown Houston and approximately 1 mile south of the intersection of U.S. Highway 290 and Fry Road. The District is located entirely within the jurisdiction of the Cypress-Fairbanks Independent School District. The District is bounded by Harris County Municipal Utility District No. 374 to the north, Harris County Municipal Utility District No. 501 to the east, Harris County Municipal Utility District No. 165 to the south, and Fry Road to the West. Access to the District is provided by U.S. Highway 290 to Fry Road.

Status of Development

Development of the District began in 2011 and, as of April 1, 2024, approximately 737.29 acres of the approximate 760 developable acres located within the District have been or are currently being developed with water, wastewater, and drainage facilities, as shown in the table below.

	Acreage	Platted Lots	Single Family		
			Completed Homes	Homes Under Construction	Vacant Lots
A. Single Family Developed with Utility Facilities					
Cypress Creek Lakes, Section 10	35.20	84	84	0	0
Cypress Creek Lakes, Section 11 ^{(a),(b)}	57.09	51	51	0	0
Cypress Creek Lakes, Section 12 ^(a)	49.65	108	108	0	0
Cypress Creek Lakes, Section 13 ^(a)	33.78	80	80	0	0
Cypress Creek Lakes, Section 14 ^(a)	16.01	33	33	0	0
Cypress Creek Lakes, Section 15 ^(a)	13.00	42	42	0	0
Cypress Creek Lakes, Section 16 ^(a)	44.99	80	80	0	0
Cypress Creek Lakes, Section 17	25.92	97	97	0	0
Cypress Creek Lakes, Section 18	27.40	77	77	0	0
Cypress Creek Lakes, Section 19	17.65	68	68	0	0
Cypress Creek Lakes, Section 20 ^(a)	36.88	83	83	0	0
Cypress Creek Lakes, Section 21 ^(a)	44.73	51	51	0	0
Cypress Creek Lakes, Section 22 ^(a)	18.36	32	32	0	0
Cypress Creek Lakes, Section 23 ^(a)	35.41	112	112	0	0
Cypress Creek Lakes, Section 24	23.69	103	103	0	0
Cypress Creek Lakes, Section 25 ^(a)	61.96	102	102	0	0
Cypress Creek Lakes, Section 26 ^{(a),(b)}	<u>39.51</u>	<u>121</u>	<u>121</u>	<u>0</u>	<u>0</u>
Total Single Family Developed with Utilities	581.23	1,324	1,324	0	0
B. Multi-Family Developed with Utility Facilities/Under Construction					
Alys Crossing Apartments (360 Units)	13.32				
Highpark Apartments (336 Units)	12.87				
Parkland Apartments ^(c)	13.27				
Cypress Creek Apartments ^(c)	13.15				
55 Resort ^(d)	<u>8.13</u>				
Total Multi-Family Developed with Utilities	60.74				
C. Retail Developed with Utility Facilities / Under Construction					
HEB Grocery Store	15.77				
Cypress Creek Plaza Commercial Property	9.32				
Ivy Kids Day Care Center	1.54				
Lifetime Fitness Center	13.45				
Commons at Cypress Creek ^(e)	4.61				
Tuckerton & Fry Center ^(e)	<u>20.55</u>				
Total Retail Developed with Utilities / Under Construction	65.24				
D. Other Developed with Utilities					
Cy Life Church	<u>30.08</u>				
E. Total Developed with Utilities / Under Construction	737.29				
F. Remaining Developable Acreage	22.78				
G. Undevelopable					
Undevelopable Acreage	<u>37.14</u>				
Total	797.21				

(The footnotes appear on the following page)

- (a) Included in the acreages for Cypress Creek Lakes, Sections 11, 12, 13, 14, 15, 16, 20, 21, 22, 23, 25, and 26 are the fifteen lakes on approximately 59 acres.
- (b) Included in the acreage for Cypress Creek Lakes, Sections 11 and 26 are the two recreation centers on approximately 12 acres.
- (c) The Parkland Apartments (378 units on approximately 13.27 acres) and the Cypress Creek Apartments (351 units on approximately 13.15 acres) are currently under construction, and both expect to start leasing units and have residents by the third quarter of 2024.
- (d) Construction of the utility facilities to serve an approximately 8.13-acre tract has been completed, which is expected to be comprised of a senior living complex (called 55 Resort and containing 182 units; construction of which has not yet begun).
- (e) Commons at Cypress Creek (approximately 4.61 acres, expected to contain one retail site and three fast food restaurants totaling approximately 25,674 square feet) and the retail center at Tuckerton and Fry Road (approximately 20.55 acres, expected to contain multiple retail sites, multiple fast food restaurants, coffee shop, pharmacy, auto service center and car wash totaling approximately 83,456 square feet) are currently under construction and are expected to be completed by the fourth quarter of 2024.

Residential Development

Single family development within the District includes 1,324 completed homes on 1,324 developed single-family lots. In addition, the District also contains fourteen lakes totaling approximately 59 acres and two recreation centers on approximately 12 acres.

Retail and Multi-Family Development

HEB Grocery Company opened an approximately 98,000 square foot HEB grocery store in September 2015 on approximately 15.77 acres of land within the District at the intersection of Fry Road and Tuckerton Road. Three additional commercial buildings totaling approximately 52,000 square feet and three pad sites on approximately 9.32 acres were completed in June 2016, called the Cypress Creek Plaza. The 52,000 square feet of retail space is currently 100% leased, and contains numerous restaurants, medical offices (urgent care, optometrist and dental), a dry cleaner, bank, veterinarian, and hair salon. The three pad sites are 100% leased. The District also contains an Ivy Kids Daycare Center on approximately 1.54 acres, a Lifetime Fitness Center on approximately 13.45 acres, and the Cy Life Church, which is exempt from ad valorem taxation, on approximately 30 acres. Multi-family development includes a 360-unit apartment complex on approximately 13.32 acres called Alys Crossing, a 336-unit apartment complex on approximately 12.87 acres called Highpark.

Additionally, various retail sites and multi-family units are currently under construction in the District. Commons at Cypress Creek (approximately 4.61 acres, expected to contain one retail site and three fast food restaurants totaling approximately 25,674 square feet) and the retail center at Tuckerton and Fry Road (approximately 20.55 acres, expected to contain multiple retail sites, multiple fast food restaurants, coffee shop, pharmacy, auto service center and car wash totaling approximately 83,456 square feet) are currently under construction and are expected to be completed by the fourth quarter of 2024. The Parkland Apartments (378 units on approximately 13.27 acres) and the Cypress Creek Apartments (351 units on approximately 13.15 acres) are currently under construction, and both expect to start leasing units and have residents by the third quarter of 2024. Additionally, construction of the utility facilities to serve an approximately 8.13-acre tract has been completed, expected to be comprised of a senior living complex (called 55 Resort and containing 182 units; construction of which has not yet begun).

Future Development

The District contains approximately 760 developable acres, of which approximately 22.78 acres remain undeveloped as of April 1, 2024. If the undeveloped acreage is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such property may be financed by future issues of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$126,505,000 principal amount of authorized unlimited tax bonds which remain unissued will be sufficient to provide utility service to the remaining undeveloped but developable acres within the District. See "THE BONDS - Issuance of Additional Debt." However, the District makes no representation that any future development will occur.

THE DEVELOPER

General

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the Developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of Developer

The developer currently active within the District is GC Tuckerton-Fry One, L.P., a Texas limited partnership (“GC Tuckerton-Fry One” or the “Developer”).

The previous developer within the District was Mischer Development, LP (“Mischer”), a Texas limited partnership, who developed all of the developable land in the District with the exception of the approximately 74.10 acres purchased by GC Tuckerton-Fry One.

THE SYSTEM

Regulation

The water, wastewater, and storm drainage facilities (the “System”), the purchase, acquisition, and construction of which will be financed by the District with the proceeds of the Bonds, 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, Harris County and the City. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District. Operation of the District’s waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ.

Water Supply and Distribution

The District owns and operates Water Plant No. 1 and Water Plant No. 2, located within the District. Water Plant No. 1 utilizes well water and surface water to supply water to the District. Water Plant No. 2 receives surface water from the West Harris County Regional Water Authority (the “Authority”). According to the terms of a contractual agreement between the District and Harris County Municipal Utility District No. 374 (“HCMUD 374”) (the “374 Agreement”), the District owns 61% of the water supply facilities and HCMUD 374 owns the remaining 39%. Water Plant No. 1 consists of a 1,000 gallons per minute (“gpm”) water well, 50,000 gallons of pressure tank capacity, 1,100,000 gallons of ground storage tank capacity, and 8,500 gpm of booster pump capacity. Water Plant No. 2 receives surface water for supply and has a 1,000 gpm well, and consists of 35,000 gallons of pressure tank capacity, 800,000 gallons of ground storage tank capacity, and 2,500 gpm of booster pump capacity. Both plants have a 500-kilowatt diesel generator for backup power. The District’s ownership in the water plant facilities provides adequate capacity to serve the District at full build out.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 2001, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District’s groundwater well(s) are included within the Authority’s GRP.

The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority’s GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority’s project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority’s GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority’s GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority’s GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District’s surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Collection and Treatment

The District currently owns and operates a 450,000 gallons per day (“gpd”) wastewater treatment plant. This plant has available capacity to serve 1,800 living unit equivalents (“LUE’s) at 250 gpd per equivalent single-family connection (“ESFC”). With the Bond proceeds, the District is funding the construction of a permanent 600,000 gpd wastewater treatment plant, capable of serving 2,400 LUE’s, expected to be completed by the fourth quarter of 2024.

100-Year Flood Plain

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

Approximately 4.21 acres of the District are located within the boundary of the 100-year Flood Plain for Cypress Creek as defined by FEMA Map Numbers 48201C0405M and 48201C0415N, Harris County Unincorporated Data, dated October 16, 2023, and November 15, 2019, respectively. The 4.21 acres located in the 100-year Flood Plain are located at the southwest corner of the property belonging to the Cy Life Church. No lot is developed nor are any expected to be developed on the 4.21 acres that are located within the boundary of the 100-year Flood Plain. See “INVESTMENT CONSIDERATIONS – Atlas 14” for a description of the risks to the District related to the possibility of changing the flood plain boundaries and more stringent flood plain regulations.

Water and Wastewater Operations

Rate and Fee Schedule - Table 1

The Board of Directors of the District establishes rates and fees for water and sewer service. The rates are subject to change from time to time. The following rates were approved on September 13, 2023.

Water (monthly billings)

Residential (Single-Family) and Apartments per unit (average usage per unit for master-metered apartments):

First 5,000 gallons of water used.....	\$18.50 (minimum)
5,000 – 10,000 gallons of water used.....	\$.175 per 1,000 gallons
10,001 – 20,000 gallons of water used.....	\$.200 per 1,000 gallons
In excess of 20,001 gallons of water used.....	\$.250 per 1,000 gallons
Commercial and Recreational Facilities.....	\$.155 per 1,000 gallons (\$10.50 minimum)

The District will add a surcharge to the monthly water service rate equal to 110% of the surface water fees charged by the West Harris County Regional Water Authority.

Sewer (monthly billings)

Each Single-Family Residential Connection and per Apartment Unit.....	45% of water bill (average unit charge for master-metered apartments)
\$10.00 minimum – without surcharge plus garbage collection fee	
Commercial Connection	45% of water bill
\$10.00 minimum – without surcharge; garbage collection not included.	

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Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Operating revenues are not pledged to payment of the Bonds, and the summary is included for general information only. This summary has been prepared from information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A – Audited Financial Statements."

	Fiscal Year Ended				
	8/31/23^(a)	8/31/22^(a)	8/31/21^(a)	8/31/20^(a)	8/31/19^(a)
REVENUES					
Water Service	\$ 816,270	\$ 748,720	\$ 643,415	\$ 660,786	\$ 613,433
Sewer Service	666,774	600,118	555,727	543,041	498,628
Property Taxes	2,735,026	2,309,417	2,160,146	3,385,433	3,435,848
Penalties and Interest	37,712	26,883	21,666	15,087	17,294
Tap Connection and Inspection	16,275	183,547	12,453	139,004	19,205
Surface Water	1,381,916	1,289,497	1,002,135	1,054,056	930,638
Interest	487,805	58,754	18,012	88,465	151,689
Miscellaneous	3,563	4,366	5,881	9,215	17,643
TOTAL REVENUES	\$ 6,145,341	\$ 5,221,302	\$ 4,419,435	\$ 5,895,087	\$ 5,684,378
EXPENDITURES					
Joint Water Plant ^(b)	\$ 2,399,922	\$ 1,320,783	\$ 1,181,523	\$ 1,164,745	\$ 1,011,432
Legal Fees	92,698	86,744	73,764	58,784	61,217
Audit Fees	16,000	17,825	19,250	13,750	13,750
Financial Advisor	1,810	-	1,810	1,750	1,580
Engineering Fees	93,886	268,883	77,584	96,767	55,066
Bookkeeping Fees	57,004	36,987	35,336	34,457	25,399
Operator Fees	117,122	100,632	89,220	91,183	81,097
Garbage Collection	351,590	314,967	301,755	291,842	283,219
Security Service	154,661	148,734	126,633	107,487	105,346
Tap Connection and Inspection	18,575	61,129	14,050	49,985	14,436
Sludge and Waste Disposal	195,005	149,764	66,360	41,470	63,068
Repairs and Maintenance	1,587,642	1,495,058	1,469,247	1,123,462	1,205,352
Utilities	165,651	159,272	152,902	153,197	179,733
Director Fees	15,868	15,000	12,600	10,950	9,150
Printing and Office Supplies	21,962	20,075	17,103	23,520	29,143
Insurance	16,105	15,739	17,869	17,366	15,117
Other	70,403	95,789	47,838	39,390	27,323
Capital Outlay	64,775	382,649	629,771	73,172	334,487
TOTAL EXPENDITURES	\$ 5,440,679	\$ 4,690,030	\$ 4,334,615	\$ 3,393,277	\$ 3,515,915
NET REVENUE/ (DEFICIT)	\$ 704,662	\$ 531,272	\$ 84,820	\$ 2,501,810	\$ 2,168,463
Beginning Fund Balance	\$ 11,125,997	\$ 10,594,725	\$ 10,448,852	\$ 7,778,280	\$ 5,720,870
Internal Transfers	-	-	61,053	283,762	(61,053)
Operating Reserve Adjustment	(263,364)	-	-	(115,000)	(50,000)
Ending Fund Balance	\$ 11,567,295	\$ 11,125,997	\$ 10,594,725	\$ 10,448,852	\$ 7,778,280

(a) Audited.

(b) Includes Joint Water Plant operation and maintenance expenses, and Regional Water Authority fees.

DEBT SERVICE REQUIREMENTS - TABLE 3
Harris County Municipal Utility District No. 433
\$6,330,000

Unlimited Tax Bonds, Series 2024
Dated Date: August 1, 2024
First Interest Payment Due: March 1, 2025

Year Ending 31-Dec	Outstanding Bonds				The Bonds				Total Debt Service Requirements	
	Principal Due (09/01)	Interest		Total	Principal (Due 9/01)	Interest		Principal and Interest		
		Due (03/01)	Due (09/01)			Due (03/01)	Due (09/01)			Total
2024	\$ 1,995,000	\$ 1,253,334	\$ 1,253,334	\$ 4,501,669	\$ -	\$ -	\$ -	\$ -	\$ 4,501,669	
2025	2,035,000	1,221,016	1,221,016	4,477,031	125,000	151,054	129,475	280,529	4,882,560	
2026	2,110,000	1,187,456	1,187,456	4,484,912	150,000	126,350	126,350	252,700	4,887,612	
2027	2,175,000	1,152,356	1,152,356	4,479,712	150,000	123,350	123,350	246,700	4,876,412	
2028	2,355,000	1,117,016	1,117,016	4,589,031	150,000	119,600	119,600	239,200	4,978,231	
2029	2,485,000	1,077,937	1,077,937	4,640,875	150,000	115,850	115,850	231,700	5,022,575	
2030	2,565,000	1,038,478	1,038,478	4,641,956	175,000	112,100	112,100	224,200	5,041,156	
2031	2,695,000	997,050	997,050	4,689,100	175,000	108,600	108,600	217,200	5,081,300	
2032	2,705,000	952,841	952,841	4,610,681	200,000	105,100	105,100	210,200	5,020,881	
2033	2,825,000	907,547	907,547	4,640,094	200,000	101,100	101,100	202,200	5,042,294	
2034	2,900,000	863,469	863,469	4,626,937	225,000	97,100	97,100	194,200	5,046,137	
2035	2,995,000	815,716	815,716	4,626,431	225,000	92,600	92,600	185,200	5,036,631	
2036	3,140,000	766,228	766,228	4,672,456	225,000	88,100	88,100	176,200	5,073,656	
2037	3,210,000	714,044	714,044	4,638,087	250,000	83,600	83,600	167,200	5,055,287	
2038	3,380,000	660,478	660,478	4,700,956	250,000	78,600	78,600	157,200	5,108,156	
2039	3,495,000	603,322	603,322	4,701,644	250,000	73,600	73,600	147,200	5,098,844	
2040	3,605,000	546,600	546,600	4,698,200	275,000	68,600	68,600	137,200	5,110,400	
2041	3,650,000	482,228	482,228	4,614,456	325,000	63,100	63,100	126,200	5,065,656	
2042	3,825,000	416,713	416,713	4,658,425	325,000	56,600	56,600	113,200	5,096,625	
2043	3,975,000	350,838	350,838	4,676,675	325,000	50,100	50,100	100,200	5,101,875	
2044	4,125,000	282,588	282,588	4,690,175	350,000	43,600	43,600	87,200	5,127,375	
2045	4,235,000	224,900	224,900	4,684,800	375,000	36,600	36,600	73,200	5,133,000	
2046	4,315,000	176,300	176,300	4,667,600	400,000	29,100	29,100	58,200	5,125,800	
2047	4,500,000	90,000	90,000	4,680,000	400,000	21,100	21,100	42,200	5,122,200	
2048	-	-	-	-	655,000	13,100	13,100	26,200	681,200	681,200
	\$ 75,295,000	\$ 17,898,453	\$ 17,898,453	\$ 111,091,905	\$ 6,330,000	\$ 1,958,604	\$ 1,937,025	\$ 3,895,629	\$ 10,225,629	\$ 121,317,535

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2023 Certified Assessed Valuation	\$ 875,955,305 ^(a)
2024 Preliminary Assessed Valuation	\$ 1,009,606,254 ^(b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 81,625,000 ^(c)
Ratio of Gross Debt to 2023 Certified Assessed Valuation	9.32%
Ratio of Gross Debt to 2024 Preliminary Assessed Valuation	8.08%
2023 Tax Rate	
Debt Service	\$ 0.5185
Maintenance	<u>0.3490</u>
Total 2023 Tax Rate	\$ 0.8675 ^(d)
Bond Fund Balance (as of July 10, 2024)	\$ 5,000,160 ^(e)

Area of District: 797.21 acres
Estimated Population as of April 1, 2024 – 5,627^(f)

- (a) Assessed valuation of the District as January 1, 2023, as certified by HCAD. See “TAXING PROCEDURES.”
 (b) Preliminary Assessed Valuation as of January 1, 2024, as provided by HCAD. See “TAXING PROCEDURES.”
 (c) Includes the Bonds.
 (d) The District levied a 2023 tax rate of \$0.8675 per \$100 assessed valuation.
 (e) Unaudited as of July 10, 2024. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.
 (f) Based on 3.0 residents per active occupied single-family connection and 2.5 residents per occupied apartment unit. As of April 1, 2024, the Alys Crossing Apartments were 95.83% occupied (345 units occupied), and the Highpark Apartments were 94.64% occupied (318 units occupied).

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Unissued
11/8/2011	Water, Wastewater & Drainage	\$ 200,000,000	\$ 73,495,000 ^(b)	\$ 126,505,000
11/8/2011	Water, Wastewater & Drainage Refunding Bonds ^(a)	300,000,000	240,000	299,760,000
11/8/2011	Park & Recreational Facilities	20,000,000	7,000,000	13,000,000
11/8/2011	Park & Recreational Facilities Refunding Bonds ^(a)	30,000,000	-	30,000,000
11/8/2011	Roads	15,000,000	10,155,000	4,845,000
11/8/2011	Roads Refunding Bonds ^(a)	22,500,000	-	22,500,000

- (a) The District has the authority to issue refunding bonds which may increase the Outstanding Bonds. Under City of Houston Ordinances, the District may not issue refunding bonds without City consent unless there is net present value savings of 3% in the District's debt service.
 (b) Includes the Bonds.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds
A. Water, Wastewater & Drainage				
4/1/2014	Water, Wastewater & Drainage	2014	\$ 8,600,000	\$ -
3/1/2015	Water, Wastewater & Drainage	2015	6,605,000	-
1/1/2016	Water, Wastewater & Drainage	2016	4,575,000	3,520,000
1/1/2017	Water, Wastewater & Drainage	2017	9,995,000	8,655,000
11/1/2017	Water, Wastewater & Drainage	2017A	6,000,000	5,750,000
8/1/2018	Water, Wastewater & Drainage	2018	6,500,000	6,200,000
6/1/2019	Water, Wastewater & Drainage	2019	5,000,000	4,700,000
2/1/2020	Water, Wastewater & Drainage	2020	7,500,000	7,075,000
3/1/2021	Water, Wastewater & Drainage	2021	4,500,000	4,375,000
5/1/2023	Water, Wastewater & Drainage	2023	7,890,000	7,880,000
8/1/2024	Water, Wastewater & Drainage	2024	6,330,000	6,330,000 ^(a)
Total Water, Wastewater & Drainage New Money Bonds			\$ 73,495,000	\$ 54,485,000
B. Roads				
6/1/2015	Roads	2015A	\$ 10,155,000	\$ 8,355,000
Total Roads New Money Bonds			\$ 10,155,000	\$ 8,355,000
C. Parks and Recreational Facilities				
6/1/2022	Parks and Recreational Facilities	2022	\$ 7,000,000	\$ 6,900,000
Total Parks & Recreational Facilities New Money Bonds			\$ 7,000,000	\$ 6,900,000
D. Refunding				
7/1/2019	Refunding	2019A	\$ 7,265,000	\$ 6,905,000
6/1/2021	Refunding	2021A	5,255,000	4,980,000
Total Refunding Bonds			\$ 12,520,000	\$ 11,885,000
TOTAL			\$ 103,170,000	\$ 81,625,000

(a) The Bonds.

Cash and Investment Balances - Table 7^(a)

General Fund	\$ 11,760,262
Bond Fund	5,000,160 ^(b)
Capital Projects Fund	1,747,305
Joint Water Plant Fund	467,082

(a) Unaudited as of July 10, 2024.

(b) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or

instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must

submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 8

The District, as of July 10, 2024, was invested in Money Market accounts and Certificates of Deposit. This investment portfolio is generally representative of the District’s investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District’s audited financial statements.

	Investment Value as of July 10, 2024
Cash	\$ 508,804
Money Market	16,116,005
Certificates of Deposit	<u>2,350,000</u>
Total	\$ 18,974,809

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 be determined. Political subdivision overlapping the District are authorized by State 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.

(The chart appears on the following page)

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Harris County	\$ 1,994,511,319	6/30/2024	0.130%	\$ 2,592,865
Harris County Department of Education	28,960,000	6/30/2024	0.130%	37,648
Harris County Flood Control District	991,095,000	6/30/2024	0.130%	1,288,424
Harris County Toll Road ^(a)	-	6/30/2024	0.000%	-
Harris County ESD No. 9 ^(b)	-	6/30/2024	0.000%	-
Harris County Hospital District	65,285,000	6/30/2024	0.130%	84,871
Port of Houston Authority	426,134,397	6/30/2024	0.130%	553,975
Lone Star College System	537,010,000	6/30/2024	0.260%	1,396,226
Cypress Fairbanks Independent School District	3,384,500,000	6/30/2024	1.090%	36,891,050
TOTAL ESTIMATED OVERLAPPING DEBT				\$ 42,845,057
The District ^(c)	\$ 81,625,000	8/1/2024	100.000%	\$ 81,625,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 124,470,057
Ratio of Estimated and Overlapping Debt to 2023 Certified Assessed Valuation				14.21%
Ratio of Estimated and Overlapping Debt to 2024 Preliminary Assessed Valuation				12.33%

(a) No outstanding tax debt due to self-supporting toll road system.

(b) Taxing jurisdiction with no outstanding debt.

(c) Includes the Bonds.

Overlapping Taxes for 2023

Overlapping Entity	2023 Tax Rate Per	Average
	\$100 Assessed Valuation	Tax Bill ^(a)
	Harris County	Harris County
Harris County	\$0.350070	\$ 1,748
Harris County Department of Education	0.004800	24
Harris County Flood Control District	0.031050	155
Harris County ESD No. 9	0.044360	221
Harris County Hospital District	0.143430	716
Port of Houston Authority	0.005740	29
Lone Star College System	0.107600	537
Cypress Fairbanks Independent School Dist:	1.081100	5,398
The District	<u>0.867500</u>	<u>4,331</u>
Total	\$2.635650	\$ 13,159

(a) Based upon the 2023 average single family home value of \$499,277, as provided by the District's tax assessor/collector.

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TAX DATA

Classification of Assessed Valuation - Table 9

Type of Property	2023 ^(a)		2022 ^(a)		2021 ^(a)	
	Amount	%	Amount	%	Amount	%
Land Value	\$ 171,950,924	19.63%	\$ 142,801,952	19.28%	\$ 133,881,058	20.73%
Improvement Value	724,270,561	82.68%	615,173,131	83.06%	527,215,131	81.63%
Personal Value	16,611,134	1.90%	17,602,400	2.38%	16,247,391	2.52%
Exemptions	<u>(36,877,314)</u>	<u>-4.21%</u>	<u>(34,946,582)</u>	<u>-4.72%</u>	<u>(31,453,225)</u>	<u>-4.87%</u>
Total	<u>\$875,955,305</u>	<u>100.00%</u>	<u>\$740,630,901</u>	<u>100.00%</u>	<u>\$645,890,355</u>	<u>100.00%</u>

(a) Provided by the District's tax assessor/collector.

Tax Collections - Table 10

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
2011	\$ 4,372,542	\$ 1.2000	\$ 52,471	\$ 52,471	100.00%	\$ 52,471	100.00%	8/31/2012 ^(a)
2012	5,899,073	1.2000	70,789	70,789	100.00%	70,789	100.00%	8/31/2013 ^(a)
2013	29,389,991	1.2000	352,680	352,680	100.00%	352,680	100.00%	8/31/2014 ^(a)
2014	112,978,289	1.2000	1,355,739	1,355,739	100.00%	1,355,739	100.00%	8/31/2015 ^(a)
2015	242,404,951	1.2000	2,908,859	2,908,859	100.00%	2,908,859	100.00%	8/31/2016 ^(a)
2016	358,923,933	1.2000	4,307,087	4,307,087	100.00%	4,307,087	100.00%	8/31/2017 ^(a)
2017	428,613,998	1.2000	5,143,368	5,138,501	99.91%	5,138,501	99.91%	8/31/2018 ^(a)
2018	523,587,442	1.2000	6,283,049	6,273,240	99.84%	6,273,240	99.84%	8/31/2019 ^(a)
2019	569,471,027	1.1735	6,682,742	6,669,167	99.80%	6,669,167	99.80%	8/31/2020 ^(a)
2020	586,668,871	1.0000	5,866,689	5,855,861	99.82%	5,855,861	99.82%	8/31/2021 ^(a)
2021	645,890,355	0.9500	6,135,959	6,124,369	99.81%	6,124,369	99.81%	8/31/2022 ^(a)
2022	740,630,901	0.8900	6,591,615	6,574,645	99.74%	6,574,645	99.74%	8/31/2023 ^(a)
2023	875,955,305	0.8675	7,517,162	7,434,241	98.90%	7,434,241	98.90%	8/31/2023 ^(b)

(a) Audited.

(b) Unaudited as of June 30, 2024. Taxes were due with no penalty by January 31, 2024.

District Tax Rates - Table 11

Tax Rate per \$100 Assessed Valuation	2023	2022	2021	2020	2019
Debt Service	\$ 0.5185	\$ 0.5195	\$ 0.5930	\$ 0.6355	\$ 0.5740
Maintenance and Operations	<u>0.3490</u>	<u>0.3705</u>	<u>0.3570</u>	<u>0.3645</u>	<u>0.5995</u>
Total	<u>\$0.8675</u>	<u>\$0.8900</u>	<u>\$0.9500</u>	<u>\$1.0000</u>	<u>\$1.1735</u>

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. The District levied a 2023 debt service tax rate of \$0.5185.

Maintenance Tax

The District has statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing, and operating the District's facilities and for paying for administrative expenses of the District, if such maintenance tax is authorized by the Districts' voters. An election for such tax was held on May 13, 2006, at which time a maintenance tax not to exceed \$1.50 per \$100 assessed valuation was approved by the District's voters. The District levied a 2023 maintenance tax of \$0.3490.

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2023, 2022, and 2021 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2023	2022	2021
Houston Alys LLC Etal	Apartments	\$ 73,643,686	\$ 62,500,000	\$ 41,528,821
VR Fry Tuckerton LP	Land and Improvements	51,669,784	5,772,191	3,363,702
LTF Real Estate Company Inc.	Lifetime Fitness Center	35,420,090	30,230,183	26,522,856
HEB Grocery Company LP	Grocery Store	23,920,313	20,824,833	19,585,006
Cypress Creek Plaza LLC	Commercial Plaza	17,846,990	16,200,000	14,450,000
HV Houston Land LLC	Land	5,135,393	(a)	(a)
GC Tuckerton-Fry One LP	Land and Improvements	4,058,098	(a)	(a)
55 Resort at Cypress Creek LLC	Land and Improvements	3,541,320	3,541,320	1,913,334
Kaizen Business Venture LLC	Daycare Center	3,401,701	3,105,797	3,036,080
Centerpoint Energy Hou Ele	Utilities	1,911,110	1,563,640	1,412,270
Met Land LLC	Land and Improvements	(a)	7,622,783	7,622,783
Mischer Development LP	Land	(a)	950,032	909,753
Total		<u>\$ 220,548,485</u>	<u>\$ 152,310,779</u>	<u>\$ 120,344,605</u>
Percent of Assessed Valuation		25.18%	20.57%	18.63%

(a) Not a principal taxpayer for respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2023 Certified Assessed Valuation and the 2024 Preliminary Assessed Valuation and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available Bond Funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*"

Average Requirement on the Bonds and the Outstanding Bonds (2024 through 2048)	\$4,852,701
\$0.59 Tax Rate on 2023 Certified Assessed Valuation of \$875,955,305 @ 95% collections produce	\$4,909,729
\$0.51 Tax Rate on 2024 Preliminary Assessed Valuation of \$1,009,606,254 @ 95% collections produce.....	\$4,891,542
Maximum Requirement on the Bonds and the Outstanding Bonds (2045)	\$5,133,000
\$0.62 Tax Rate on 2023 Certified Assessed Valuation of \$875,955,305 @ 95% collections produce	\$5,159,377
\$0.54 Tax Rate on 2024 Preliminary Assessed Valuation of \$1,009,606,254 @ 95% collections produce.....	\$5,179,280

Bond Fund Management Index

Unaudited Bond Fund Balance as of 09/13/2023 ^(a)	\$1,839,665
Plus: 2023 Debt Service Tax Levy @ 95% collections produce ^(b)	<u>4,314,737</u>
Total Available for Debt Service	\$6,154,402
Less: Debt Service Requirements for year ending 12/31/24 ^(c)	<u>(4,501,669)</u>
Projected Bond Fund Balance as of 9/30/24	\$1,652,733

- (a) Unaudited Bond Fund balance as of September 13, 2023. Represents Bond Fund balance after all 2023 debt service requirements have been paid and before any 2024 debt service taxes have been collected.
- (b) The District levied a 2023 debt service tax rate of \$0.5185, collection of which was due with no penalty by January 31, 2024.
- (c) Interest payments on the Bonds begin March 1, 2025.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and, if approved by the voters, for the payment of certain contractual obligations. See “TAX DATA – Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) establishes an appraisal district and an appraisal review board in each county of the State. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, school districts, and conservation and reclamation districts such as the District that participate in the appraisal district and of the county. The board of directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. All taxing units within Harris County, including the District, are included in the Harris Central Appraisal District (the “Appraisal District”). The Appraisal District is responsible for appraising property within the District, subject to review by the Harris Central Appraisal Review Board. The District must use the appraisal roll as approved by the Harris Central Appraisal Review Board to establish its tax roll and tax rate. The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

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; 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.

Veterans Exemptions: The District must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability of the veteran if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran’s or surviving spouse’s residential homestead. 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 residential homestead in an amount equal to the partially disabled veteran’s disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse’s residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before June 1. The District has not adopted a general homestead exemption.

Exemptions for Disabled / 65 years and Older Residents: For the 2023 tax year, the District adopted an exemption for certain persons who are disabled or at least 65 years old of \$20,000 of appraised value. The District's tax assessor 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.

Freeport Goods Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990, may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. A "Goods-in-Transit" exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicles, vessel and outboard motor, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the City of Houston (after annexation of the District), the Cypress-Fairbanks Independent School District, or 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 agreement. Effective September 1, 1999, the terms of the tax abatement agreements of the taxing jurisdiction are not required to be identical.

Valuation of Property for Taxation

Generally, all taxable property in the District must be appraised by the Harris Central Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. In determining market value, either for replacement cost or the market data method of valuation may be used, whichever is appropriate.

Certain land may be appraised at less than market value under the Property Tax Code. A residence homestead is to be appraised solely on the basis of its value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. Land which qualifies as an aesthetic management zone, critical wildlife management zone, or streamside management zone or is being regenerated for timber production for 10 years after harvest is valued at one-half that amount. In the case of both open space and timber land valuations, if the use of land changes, an additional tax is generally imposed on the land equal to the difference between the taxes imposed on the land for each of the three (3) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land. Also, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased, or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business, upon application of the owner.

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

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “subjected property”) whose appraised values are not more than \$5 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent (20%) of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the “appraisal cap”). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap took effect on January 1, 2024.

Taxpayer Remedies

The Appraisal Review Board is responsible for resolving disputes between taxpayers and the Appraisal District. It is also empowered to determine challenges initiated by taxing units, correct clerical errors in the appraisal records and the appraisal rolls, act on motions to correct appraisal rolls, and determine whether an exemption or a partial exemption is improperly granted. The appraisal review board is independent of the appraisal district. In counties with more than 120,000 in population, the local administrative district judge appoints the appraisal review board members.

A property owner is entitled to protest the value of a tract of property before the appraisal review board in the following circumstances: the value the appraisal district placed on the property is too high; the property was unequally appraised; the appraisal district denied a special appraisal, such as open-space land; the appraisal district failed to provide the property owner with required notices; or as otherwise permitted under the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

A property owner who files a protest must pay the amount of taxes due on the portion of the taxable value of the property subject to the protest that is not in dispute before the delinquency date, or the property owner forfeits the right to proceed to a final determination of the protest.

Property owners who are dissatisfied with the decision of the appraisal review board may appeal the decision. Depending upon the circumstances, the property owner may be able to require the appraisal district to go to binding arbitration or to have the appeal heard by the State Office of Administrative Hearings.

If those remedies are not available or if the property owner prefers, it has the right to appeal the decision of the appraisal review board to the state district court in which the property is located. The district court review is by trial de novo, and the district court is required to try all issues of fact and law raised by the pleadings in the manner applicable to civil suits generally. Any party is entitled to trial by jury on demand. The district court will grant relief if it determines that the appraised value of the property exceeds the appraised value required by law or the property is appraised unequally.

A party may appeal the final judgment of the district court as provided by law for appeal of civil suits generally, except that an appeal bond is not required of the chief appraiser, the county, the comptroller, or the commissioners court.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six

percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. Those taxes billed at a later date that become delinquent on or after June 1 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.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as “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 are 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year’s debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

Developing Districts: The qualified voters of Developing Districts, upon a 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 the Developing District is the current year’s debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district’s status as a Special Taxing Unit, Developed District, or Developing District will be made by the board of directors of the district on an annual basis. The Board of Directors of the District has designated the District a Developing District for purposes of the 2023 tax year, but the District cannot give any assurances as to what its classification will be at any future point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See “FINANCIAL STATEMENT - Estimated Overlapping Debt Statement” and “- Overlapping Taxes for 2023.” A tax lien on real property takes priority over the claim of most

creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 (in the case of a residential homestead or agricultural property, a taxpayer may redeem such property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records, otherwise six (6) months) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "- Tax Collections and Foreclosure Remedies."

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt service in the year following a disaster.

After January 1, 2020, a district may adopt an exemption for a portion of the value of the property damaged by a declared national disaster based on the percentage of damage to the property.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Norton Rose Fulbright US LLP, Houston, Texas ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS – Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold, and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to an opinion of Bond Counsel, to the effect that, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. See "APPENDIX B - Form of Bond Counsel Opinion."

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, S corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. 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 its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of the Bonds maturing serially in the years 2040 through 2048, inclusive, (the "Discount Bonds") is less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial

purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such accrued interest may be required to be taken into account the amount of the branch profits tax applicable to certain corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale, or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of Bonds maturing serially in the years 2025 through 2037, inclusive, (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Not Qualified Tax-Exempt Obligations for Financial Institutions

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, 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 events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year. The District will provide updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders 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, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or government authority, or the entry of an order confirming a plan of reorganization arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Bond Order.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

The District shall be obligated to observe and perform the covenants specified in the Bond Order for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by the Bond Order of any Bond calls and defeasance that cause the District to be no longer such an “obligated person.”

The provisions of the Bond Order are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or thereby undertake to update any information, except as expressly provided in the Bond Order. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

Under no circumstances shall the District be liable to the holder or beneficial owner of any bond or any other person, in contract or tort, for damages resulting in whole or in part from any breach by the District, whether negligent or without fault on its part, of any covenant specified in the Bond Order, but every right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for mandamus or specific performance.

No default by the District in observing or performing its obligations under this Article shall constitute a breach of or default under the Bond Order for purposes of any other provision of the Bond Order.

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Bond Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in accordance with the Bond Order an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance with Prior Undertakings

In the past five years, the District has been in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12, except to the extent described below.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the “Financial Advisor”), which firm was employed in 2014 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement was compiled and edited by the District’s Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

“THE DISTRICT” and “THE SYSTEM” – BGE, Inc. (the “Engineer”); “THE DEVELOPER”, “FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued – Table 5” - Records of the District, “FINANCIAL STATEMENT” – Harris Central Appraisal District; “FINANCIAL STATEMENT - Estimated Overlapping Debt Statement” - Municipal Advisory Council of Texas; “TAX DATA” and “THE SYSTEM - Water and Wastewater Operations” – Records of the District; “DEBT SERVICE REQUIREMENTS – TABLE 3” - Financial Advisor; “BOOK-ENTRY-ONLY SYSTEM” – Depository Trust Company.

Bond Counsel has reviewed the summaries included herein contained under the captions “THE BONDS” (but not under the heading “Payment Record”), and “CONTINUING DISCLOSURE OF INFORMATION” (but not under the heading “Compliance with Prior Undertakings”), to determine that such summaries correctly describe the Bonds and the Bond Order for the purposes intended, and that matters discussed herein under the headings “THE DISTRICT – General”, “TAXING PROCEDURES”, and “TAX MATTERS,” are correct as to matters of law.

Consultants

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

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM,” has been provided by BGE, Inc. and has been included in reliance upon the authority of said firm in the field of civil engineering.

Tax Assessor/Collector: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned “FINANCIAL STATEMENT,” has been provided by the Harris Central Appraisal District in reliance upon its authority as an expert in the field of appraising and tax assessing. The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Esther Flores of Tax Tech, Inc., in reliance upon her authority in the field of tax assessing and collecting.

Auditor: The District's 2023 financial statements were audited by McGrath & Co., PLLC, Certified Public Accountants. The District's Audited Financial Statements as of August 31, 2023, have been included as Appendix A. The Auditor has consented to the publication of such financial statements herein.

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the “Rule”) (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts and sources 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. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Initial Purchaser.

Annual Audits

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District and must file each audit report with the TCEQ within 135 days after the close of the fiscal year once the District has issued bonds or has assets or receipts in excess of \$100,000. Prior to selling bonds or having assets over \$100,000, the District is allowed under State law to file a financial report in lieu of an audit. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of charges prescribed by the Texas General Services Commission.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 433, as of the date shown on the first page hereof.

PHOTOGRAPHS

The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."









APPENDIX A
Audited Financial Statements

The information contained in this appendix includes the audited financial statement of Harris County Municipal Utility District No. 433 for the fiscal year ended August 31, 2023.

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 433**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2023

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 433
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 433 (the "District"), as of and for the year ended August 31, 2023, 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 Harris County Municipal Utility District No. 433, as of August 31, 2023, 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
Harris County Municipal Utility District No. 433
Harris 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.

McGuire & Co, PC

Houston, Texas
December 13, 2023

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Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 433 (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 August 31, 2023. 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.

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

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 August 31, 2023, was negative \$10,964,839. The District's net position is negative because the District incurs debt to construct public roads, which Harris County assumes responsibility for the maintenance of. As a result, these roads are not considered capital assets of the District. The costs of roads constructed within the District are recorded as transfer to other governments, reducing net position. A comparative summary of the District's overall financial position, as of August 31, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	\$ 22,205,083	\$ 16,062,228
Capital assets	49,625,592	48,100,299
Total assets	<u>71,830,675</u>	<u>64,162,527</u>
 Total deferred outflows of resources	 <u>292,162</u>	 <u>311,013</u>
Current liabilities	3,234,464	4,088,579
Long-term liabilities	79,853,212	73,397,178
Total liabilities	<u>83,087,676</u>	<u>77,485,757</u>
 Net position		
Net investment in capital assets	(15,662,914)	(16,707,219)
Restricted for debt service	1,998,619	2,188,302
Restricted for joint water plant operations	730,867	393,227
Unrestricted	1,968,589	1,113,473
Total net position	<u>\$ (10,964,839)</u>	<u>\$ (13,012,217)</u>

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

The total net position of the District increased during the current fiscal year by \$2,047,378. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 6,649,629	\$ 6,195,636
Water and sewer service	2,864,960	2,638,335
Water supply	3,519,689	3,912,311
Other	797,647	276,612
Total revenues	<u>13,831,925</u>	<u>13,022,894</u>
Expenses		
Current service operations	7,662,680	7,385,130
Debt interest and fees	2,375,878	2,078,964
Developer interest		888,314
Debt issuance costs	551,098	421,979
Depreciation	1,269,167	1,245,658
Total expenses	<u>11,858,823</u>	<u>12,020,045</u>
Change in net position before other item	1,973,102	1,002,849
Other item		
Operating reserve adjustment	<u>74,276</u>	
Change in net position	2,047,378	1,002,849
Net position, beginning of year	<u>(13,012,217)</u>	<u>(14,015,066)</u>
Net position, end of year	<u>\$ (10,964,839)</u>	<u>\$ (13,012,217)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2023, were \$20,860,537, which consists of \$11,567,295 in the General Fund, \$1,926,423 in the Debt Service Fund, \$6,635,952 in the Capital Projects Fund and \$730,867 in the Special Revenue Fund.

General Fund

A comparative summary of the General Fund's financial position as of August 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 12,028,367</u>	<u>\$ 11,644,402</u>
Total liabilities	\$ 428,186	\$ 490,875
Total deferred inflows	32,886	27,530
Total fund balance	11,567,295	11,125,997
Total liabilities, deferred inflows and fund balance	<u>\$ 12,028,367</u>	<u>\$ 11,644,402</u>

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

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

	2023	2022
Total revenues	\$ 6,145,341	\$ 5,221,302
Total expenditures	(5,440,679)	(4,690,030)
Revenues over expenditures	704,662	531,272
Other changes in fund balance	(263,364)	
Net change in fund balance	\$ 441,298	\$ 531,272

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. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and surface water 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.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2023 and 2022 is as follows:

	2023	2022
Total assets	\$ 2,000,074	\$ 2,237,831
Total liabilities	\$ 1,455	\$ 10,275
Total deferred inflows	72,196	57,359
Total fund balance	1,926,423	2,170,197
Total liabilities, deferred inflows and fund balance	\$ 2,000,074	\$ 2,237,831

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	\$ 4,024,474	\$ 3,872,604
Total expenditures	(4,268,248)	(3,685,994)
Revenues over/(under) expenditures	\$ (243,774)	\$ 186,610

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

Financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each 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 comparative summary of the Capital Projects Fund's financial position as of August 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	\$ 6,801,012	\$ 29,450
Total liabilities	\$ 165,060	\$ 857
Total fund balance	<u>6,635,952</u>	<u>28,593</u>
Total liabilities and fund balance	<u>\$ 6,801,012</u>	<u>\$ 29,450</u>

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

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 116,435	\$ 5,259
Total expenditures	<u>(1,399,076)</u>	<u>(7,997,145)</u>
Revenues under expenditures	(1,282,641)	(7,991,886)
Other changes in fund balance	7,890,000	7,000,000
Net change in fund balance	<u>\$ 6,607,359</u>	<u>\$ (991,886)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds in the current year and the sale of its Series 2022 Park Unlimited Tax Bonds in the prior year.

Special Revenue Fund

The District uses a Special Revenue Fund to account for the operations of a joint water plant. A comparative summary of the Special Revenue Fund's financial position as of August 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	\$ 1,375,630	\$ 2,150,545
Total liabilities	\$ 644,763	\$ 1,757,318
Total fund balance	<u>730,867</u>	<u>393,227</u>
Total liabilities and fund balance	<u>\$ 1,375,630</u>	<u>\$ 2,150,545</u>

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

A comparative summary of activities for the Special Revenue Fund's current and prior fiscal year is as follows:

	2023	2022
Total revenues	\$ 3,525,481	\$ 3,912,702
Total expenditures	(3,525,481)	(3,912,702)
Revenues over/(under) expenditures	-	-
Other changes in fund balance	337,640	
Net change in fund balance	\$ 337,640	\$ -

Revenues in the Special Revenue Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year. During the current year, other changes in fund balance consists of participant billings for adjustments to the joint water plant operating reserve.

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 \$6,137 less than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements 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.

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

Capital assets held by the District at August 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 8,602,886	\$ 8,500,742
Construction in progress	3,890,729	1,730,712
	<u>12,493,615</u>	<u>10,231,454</u>
Capital assets being depreciated		
Water, wastewater and drainage facilities	37,851,716	37,782,038
Landscaping improvements	8,555,476	8,092,855
	<u>46,407,192</u>	<u>45,874,893</u>
Less accumulated depreciation		
Water, wastewater and drainage facilities	(7,590,621)	(6,749,231)
Landscaping improvements	(1,684,594)	(1,256,817)
	<u>(9,275,215)</u>	<u>(8,006,048)</u>
Depreciable capital assets, net	<u>37,131,977</u>	<u>37,868,845</u>
Capital assets, net	<u>\$ 49,625,592</u>	<u>\$ 48,100,299</u>

Capital asset additions during the current year include landscaping to serve Cypress Creek Lakes Section 13 and design of wastewater treatment plant reuse system bypass.

The District's construction in progress is for the construction and engineering fees related to Water Plant No. 2 expansion, Fry Road waterline loop, permanent 0.6 MGD Wastewater Treatment Plant, and Lift Station No. 1 generator.

Long-Term Debt and Related Liabilities

As of August 31, 2023, the District owes approximately \$6,603,530 to its developer 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. As discussed in Note 6, the District has an additional commitment in the amount of \$5,557,811 for projects under construction by the developer. As noted, the District will owe its developer for these projects 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.

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

At August 31, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2015 Road	\$ 8,355,000	\$ 8,730,000
2016	3,520,000	3,665,000
2017	8,655,000	8,980,000
2017A	5,750,000	5,800,000
2018	6,200,000	6,275,000
2019	4,700,000	4,775,000
2019A Refunding	6,905,000	7,160,000
2020	7,075,000	7,200,000
2021	4,375,000	4,425,000
2021A Refunding	4,980,000	5,195,000
2022 Park	6,900,000	7,000,000
2023	7,880,000	
	<u>\$ 75,295,000</u>	<u>\$ 69,205,000</u>

During the current year, the District issued \$7,890,000 in unlimited tax bonds. At August 31, 2023, the District had \$132,835,000 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 \$299,760,000 for the refunding of such bonds; \$13,000,000 for parks and recreational facilities and \$30,000,000 for the refunding of such bonds; and \$4,845,000 for road improvements and \$22,500,000 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:

	2023 Actual	2024 Budget
Total revenues	\$ 6,145,341	\$ 6,367,830
Total expenditures	(5,440,679)	(6,276,948)
Revenues over expenditures	704,662	90,882
Other changes in fund balance	(263,364)	198,955
Net change in fund balance	441,298	289,837
Beginning fund balance	11,125,997	11,567,295
Ending fund balance	<u>\$ 11,567,295</u>	<u>\$ 11,857,132</u>

Property Taxes

The District's property tax base increased approximately \$133,698,000 for the 2023 tax year from \$741,826,198 to \$875,524,185. This increase was primarily due to new construction in the District and increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of

***Harris County Municipal Utility District No. 433
Management's Discussion and Analysis
August 31, 2023***

\$0.349 per \$100 of assessed value and a debt service tax rate of \$0.5185 per \$100 of assessed value, for a total combined tax rate of \$0.8675 per \$100 of assessed value. Tax rates for the 2022 tax year were \$0.3705 per \$100 for maintenance and operations and \$0.5195 per \$100 for debt service for a combined total of \$0.89 per \$100 of assessed value.

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Basic Financial Statements

Harris County Municipal Utility District No. 433
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash	\$ 311,070	\$ 125,118	\$ 469	\$ 450,607	\$ 887,264
Investments	11,456,731	1,839,664	6,800,543		20,096,938
Taxes receivable	32,886	72,196			105,082
Due from other districts				339,393	339,393
Customer service receivables	758,986				758,986
Internal balances	(548,726)	(36,904)		585,630	
Other receivables	17,420				17,420
Capital assets not being depreciated					
Capital assets, net					
Total Assets	<u>\$ 12,028,367</u>	<u>\$ 2,000,074</u>	<u>\$ 6,801,012</u>	<u>\$ 1,375,630</u>	<u>\$ 22,205,083</u>
Deferred Outflows of Resources					
Deferred difference on refunding					
Liabilities					
Accounts payable	\$ 279,411	\$ 447	\$ 139,481	\$ 371,042	\$ 790,381
Retainage payable			25,579	273,721	299,300
Other payables	7,525	1,008			8,533
Customer deposits	141,250				141,250
Due to developer					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	<u>428,186</u>	<u>1,455</u>	<u>165,060</u>	<u>644,763</u>	<u>1,239,464</u>
Deferred Inflows of Resources					
Deferred property taxes	<u>32,886</u>	<u>72,196</u>			<u>105,082</u>
Fund Balances/Net Position					
Fund Balances					
Restricted		1,926,423	6,635,952		8,562,375
Committed				730,867	730,867
Unassigned	11,567,295				11,567,295
Total Fund Balances	<u>11,567,295</u>	<u>1,926,423</u>	<u>6,635,952</u>	<u>730,867</u>	<u>20,860,537</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,028,367</u>	<u>\$ 2,000,074</u>	<u>\$ 6,801,012</u>	<u>\$ 1,375,630</u>	<u>\$ 22,205,083</u>
Net Position					
Net investment in capital assets					
Restricted for debt service					
Restricted for joint water plant operations					
Unrestricted					
Total Net Position					
See notes to basic financial statements.					

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 887,264
	20,096,938
	105,082
	339,393
	758,986
	17,420
12,493,615	12,493,615
<u>37,131,977</u>	<u>37,131,977</u>
<u>49,625,592</u>	<u>71,830,675</u>
 <u>292,162</u>	 <u>292,162</u>
	790,381
	299,300
	8,533
	141,250
6,603,530	6,603,530
1,995,000	1,995,000
<u>73,249,682</u>	<u>73,249,682</u>
<u>81,848,212</u>	<u>83,087,676</u>
 <u>(105,082)</u>	
 (8,562,375)	
(730,867)	
<u>(11,567,295)</u>	
<u>(20,860,537)</u>	
 (15,662,914)	(15,662,914)
1,998,619	1,998,619
730,867	730,867
1,968,589	1,968,589
<u>\$ (10,964,839)</u>	<u>\$ (10,964,839)</u>

Harris County Municipal Utility District No. 433

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2023**

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Water service	\$ 816,270	\$ -	\$ -	\$ -	\$ 816,270
Sewer service	666,774				666,774
Water supply				3,519,689	3,519,689
Property taxes	2,735,026	3,833,329			6,568,355
Penalties and interest	37,712	23,368			61,080
Tap connection and inspection	16,275				16,275
Surface water	1,381,916				1,381,916
Miscellaneous	3,563	1,364		5,792	10,719
Investment earnings	487,805	166,413	116,435		770,653
Total Revenues	6,145,341	4,024,474	116,435	3,525,481	13,811,731
Expenditures/Expenses					
Current service operations					
Joint water plant	2,399,922				2,399,922
Professional fees	204,394		35,816	10,245	250,455
Contracted services	893,957	67,812		41,584	1,003,353
Repairs and maintenance	1,587,642			132,517	1,720,159
Utilities	165,651			51,365	217,016
Regional water authority fees				1,909,710	1,909,710
Administrative	99,324	5,521		32,206	137,051
Other	25,014				25,014
Capital outlay	64,775		812,162	1,347,854	2,224,791
Debt service					
Principal		1,800,000			1,800,000
Interest and fees		2,394,915			2,394,915
Debt issuance costs			551,098		551,098
Depreciation					
Total Expenditures/Expenses	5,440,679	4,268,248	1,399,076	3,525,481	14,633,484
Revenues Over/(Under) Expenditures/Expenses	704,662	(243,774)	(1,282,641)		(821,753)
Other Financing Sources					
Proceeds from sale of bonds			7,890,000		7,890,000
Other Item					
Operating reserve adjustment	(263,364)			337,640	74,276
Net Change in Fund Balances	441,298	(243,774)	6,607,359	337,640	7,142,523
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	11,125,997	2,170,197	28,593	393,227	13,718,014
End of the year	\$ 11,567,295	\$ 1,926,423	\$ 6,635,952	\$ 730,867	\$ 20,860,537

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 816,270
	666,774
	3,519,689
12,388	6,580,743
7,806	68,886
	16,275
	1,381,916
	10,719
	770,653
<u>20,194</u>	<u>13,831,925</u>
	2,399,922
	250,455
	1,003,353
	1,720,159
	217,016
	1,909,710
	137,051
	25,014
(2,224,791)	
(1,800,000)	
(19,037)	2,375,878
	551,098
1,269,167	1,269,167
<u>(2,774,661)</u>	<u>11,858,823</u>
2,794,855	1,973,102
(7,890,000)	
	74,276
(7,142,523)	
2,047,378	2,047,378
<u>(26,730,231)</u>	<u>(13,012,217)</u>
<u>\$ (31,825,376)</u>	<u>\$ (10,964,839)</u>

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 433 (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 and Harris County Municipal Utility District No. 435 were each created by the Texas Commission on Environmental Quality, effective January 17, 2006, and were confirmed by election on May 13, 2005. HCMUD Nos. 433 and 435 were consolidated by elections held May 14, 2011, in each District, pursuant to a Consolidation Agreement dated February 1, 2011. The District operates in accordance with the Texas Water Code, Chapters 49 and 54.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage 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*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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 four governmental funds, which are all considered major funds.

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, park and recreational facilities and road improvements.
- The Special Revenue Fund is used to account for the operation and maintenance of a joint water plant. The principal source of revenues is charged to participating districts, which equals the cost of operating the plant.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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 August 31, 2023, 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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, wastewater and drainage facilities	20-45 years
Landscaping improvements	20 years

The District’s drainage channels 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.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 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's committed fund balances in the Special Revenue Fund consist of amounts restricted for the operation of the joint water plant in accordance with the District's contract with Harris County Municipal Utility District No. 374.

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.

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.

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 20,860,537
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost		\$ 58,900,807
Less accumulated depreciation		<u>(9,275,215)</u>
Change due to capital assets		49,625,592

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

292,162

Amounts due to the District's developer for prefunded construction is recorded as a liability in the *Statement of Net Position*.

(6,603,530)

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.

(75,244,682)

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.

Property taxes receivable		74,424
Penalty and interest receivable		<u>30,658</u>
Change due to property taxes		105,082

Total net position - governmental activities

\$ (10,964,839)

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

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

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

Net change in fund balances - total governmental funds \$ 7,142,523

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 and related penalties and interest. 20,194

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

Capital outlays	\$ 2,224,791	
Depreciation expense	<u>(1,269,167)</u>	955,624

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	(7,890,000)	
Principal payments	1,800,000	
Interest expense	<u>19,037</u>	(6,070,963)

Change in net position of governmental activities		<u><u>\$ 2,047,378</u></u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. 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.

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 3 – Deposits and Investments (continued)

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.

As of August 31, 2023, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 480,000	2%	N/A	N/A
Texas CLASS	General	10,976,731			
	Debt Service	1,839,664			
	Capital Projects	6,800,543			
		<u>19,616,938</u>	<u>98%</u>	AAAm	40 days
Total		<u>\$ 20,096,938</u>	<u>100%</u>		

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

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 3 – Deposits and Investments (continued)

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.

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

Amounts due to/from other funds at August 31, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 36,904	Maintenance tax collections not remitted as of year end
Special Revenue Fund	General Fund	585,630	Joint water plant participant billings and capital outlay paid by General Fund

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

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2023, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land	\$ 8,500,742	\$ 102,144	\$ 8,602,886
Construction in progress	1,730,712	2,160,017	3,890,729
	<u>10,231,454</u>	<u>2,262,161</u>	<u>12,493,615</u>
Capital assets being depreciated			
Water, wastewater and drainage systems	37,782,038	69,678	37,851,716
Landscaping improvements	8,092,855	462,621	8,555,476
	<u>45,874,893</u>	<u>532,299</u>	<u>46,407,192</u>
Less accumulated depreciation			
Water, wastewater and drainage systems	(6,749,231)	(841,390)	(7,590,621)
Landscaping improvements	(1,256,817)	(427,777)	(1,684,594)
	<u>(8,006,048)</u>	<u>(1,269,167)</u>	<u>(9,275,215)</u>
Subtotal depreciable capital assets, net	<u>37,868,845</u>	<u>(736,868)</u>	<u>37,131,977</u>
Capital assets, net	<u>\$ 48,100,299</u>	<u>\$ 1,525,293</u>	<u>\$ 49,625,592</u>

Depreciation expense for the current year was \$1,269,167.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Water Plant No. 2 expansion	\$ 3,732,650	\$ 851,985	\$ 2,880,665
Fry Road waterline loop	259,653	227,961	31,692
	<u>\$ 3,992,303</u>	<u>\$ 1,079,946</u>	<u>\$ 2,912,357</u>

* Includes retainage

Note 6 – Due to Developer

The District has entered into financing agreements 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 costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 6 – Due to Developer (continued)

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

Due to developer, beginning of year	\$ 6,033,862
Developer funded construction and adjustments	<u>569,668</u>
Due to developer, end of year	<u><u>\$ 6,603,530</u></u>

In addition, the District will owe its developer approximately \$5,557,811, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Percent Complete</u>
Fry Tuckerton detention pond	\$ 450,681	19%
Lift Station No. 2	829,828	-
Solanna Park Drive to Marvelous Place street dedication	<u>4,277,302</u>	-
	<u><u>\$ 5,557,811</u></u>	

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 75,295,000
Unamortized discounts	(300,131)
Unamortized premium	<u>249,813</u>
	<u><u>\$ 75,244,682</u></u>
Due within one year	<u><u>\$ 1,995,000</u></u>

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at August 31, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015 Road	\$ 8,355,000	\$ 10,155,000	3.00% - 4.00%	September 1, 2015/2039	March 1, September 1	September 1, 2022
2016	3,520,000	4,575,000	2.00% - 3.625%	September 1, 2016/2040	March 1, September 1	September 1, 2023
2017	8,655,000	9,895,000	3.00% - 5.00%	September 1, 2017/2041	March 1, September 1	September 1, 2024
2017A	5,750,000	6,000,000	2.25% - 4.25%	September 1, 2018/2042	March 1, September 1	September 1, 2024
2018	6,200,000	6,500,000	3.00% - 5.00%	September 1, 2019/2043	March 1, September 1	September 1, 2025
2019	4,700,000	5,000,000	2.00% - 3.00%	September 1, 2019/2043	March 1, September 1	September 1, 2025
2019A Refunding	6,905,000	7,265,000	3.00% - 4.00%	September 1, 2019/2038	March 1, September 1	September 1, 2027
2020	7,075,000	7,500,000	2.00% - 4.00%	September 1, 2020/2044	March 1, September 1	September 1, 2026
2021	4,375,000	4,500,000	1.00% - 3.00%	September 1, 2021/2045	March 1, September 1	September 1, 2027
2021 Refunding	4,980,000	5,255,000	2.00% - 3.00%	September 1, 2021/2039	March 1, September 1	September 1, 2028
2022 Park	6,900,000	7,000,000	4.00% - 6.00%	September 1, 2023/2046	March 1, September 1	September 1, 2028
2023	7,880,000	7,890,000	4.00%	September 1, 2023/2047	March 1, September 1	September 1, 2029
	<u>\$ 75,295,000</u>					

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 August 31, 2023, the District had authorized but unissued bonds in the amount of \$132,835,000 for water, sewer and drainage facilities and \$299,760,000 for the refunding of such bonds; \$13,000,000 for parks and recreational facilities and \$30,000,000 for the refunding of such bonds; and \$4,845,000 for road improvements and \$22,500,000 for the refunding of such bonds.

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 7 – Long-Term Debt (continued)

On May 10, 2023, the District issued its \$7,890,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.075762%. Proceeds of the bonds were used to finance the construction of capital assets within the District and other costs associated with the construction of such capital assets.

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

Bonds payable, beginning of year	\$ 69,205,000
Bonds issued	7,890,000
Bonds retired	<u>(1,800,000)</u>
Bonds payable, end of year	<u><u>\$ 75,295,000</u></u>

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 1,995,000	\$ 2,506,669	\$ 4,501,669
2025	2,035,000	2,442,033	4,477,033
2026	2,110,000	2,374,913	4,484,913
2027	2,175,000	2,304,713	4,479,713
2028	2,355,000	2,234,031	4,589,031
2029	2,485,000	2,155,875	4,640,875
2030	2,565,000	2,076,957	4,641,957
2031	2,695,000	1,994,100	4,689,100
2032	2,705,000	1,905,682	4,610,682
2033	2,825,000	1,815,093	4,640,093
2034	2,900,000	1,726,938	4,626,938
2035	2,995,000	1,631,432	4,626,432
2036	3,140,000	1,532,457	4,672,457
2037	3,210,000	1,428,087	4,638,087
2038	3,380,000	1,320,958	4,700,958
2039	3,495,000	1,206,644	4,701,644
2040	3,605,000	1,093,200	4,698,200
2041	3,650,000	964,458	4,614,458
2042	3,825,000	833,426	4,658,426
2043	3,975,000	701,675	4,676,675
2044	4,125,000	565,176	4,690,176
2045	4,235,000	449,800	4,684,800
2046	4,315,000	352,600	4,667,600
2047	4,500,000	180,000	4,680,000
	<u><u>\$ 75,295,000</u></u>	<u><u>\$ 35,796,917</u></u>	<u><u>\$ 111,091,917</u></u>

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 8 – Property Taxes

On May 14, 2011, 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. 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 Harris Central 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 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.89 per \$100 of assessed value, of which \$0.3705 was allocated to maintenance and operations and \$0.5195 was allocated to debt service. The resulting tax levy was \$6,602,253 on the adjusted taxable value of \$741,826,198.

Property taxes receivable, at August 31, 2023, consisted of the following:

Current year taxes receivable	\$	23,658
Prior years taxes receivable		50,766
		<u>74,424</u>
Penalty and interest receivable		30,658
Property taxes receivable	\$	<u><u>105,082</u></u>

Note 9 – Water Supply Agreement

The District and Harris County Municipal Utility District No. 374 (“MUD 374”) are party to a water supply agreement, which establishes the terms and conditions under which the districts will allocate costs for the construction and operation of a water plant to serve the districts. The District shall hold legal title to the water plant and the water plant site for benefit of the participants. Each participating district shall have an undivided, equitable interest in the water plant based on the district’s allocated share of equivalent single family connections (ESFCs) as a percentage of total available ESFCs. As of August 31, 2023, MUD 374 has a 29.72% interest and the District has a 70.28% interest.

The District is responsible for the operation and maintenance of the water plant and has established a separate fund (the Special Revenue Fund) to account for all activity related to the water plant. Each participating district shall be billed monthly based on a pro rata share of water usage.

During the current year, MUD 374 and the District were billed \$74,277 and \$263,364, respectively, to increase the joint water plant operating reserve. As of August 31, 2023, MUD 374 and the District have paid an operating reserve of \$274,277 and \$463,364, respectively.

Harris County Municipal Utility District No. 433
Notes to Financial Statements
August 31, 2023

Note 9 – Water Supply Agreement (continued)

For the fiscal year ended August 31, 2023, charges pursuant to this agreement consisted of the following:

	MUD 433	MUD 374
Operating costs	\$ 1,267,093	\$ 899,518
Capital costs	1,120,356	232,722
	<u>\$ 2,387,449</u>	<u>\$ 1,132,240</u>

Note 10 – Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

As of August 31, 2023, the Authority’s rates are \$3.95 per 1,000 gallons of water pumped from the District’s wells and \$4.35 for surface water supplied to the District. These rates are subject to future increases. The District passes these costs on to its customers plus 10%. During the current year, the District recognized \$1,381,916 in revenues in the General Fund. In the Special Revenue Fund, the District recognized \$1,909,710 in expenditures related to regional water authority fees.

Note 11 – Alternative Water Supply Use Credits

On December 9, 2020, the District entered into an Agreement with Harris County Regional Water Authority (the “Authority”) and Harris County Municipal Utility District No. (“MUD 374”) regarding credits for alternative water supply use. The District and MUD 374 each own effluent reuse systems which deliver non-potable water supply to the districts for the purpose of filling lakes and the irrigation of open spaces and landscaping within the districts (“Alternative Water Supply”). In exchange for the use of effluent water supply the Authority will provide the districts with monetary credits against groundwater reduction plan fees, surface water fees, or any other fees or charges due to the Authority. The districts have agreed that, for ease of administration, all monetary credits due from the Authority to MUD 374 will be provided to the District. The total annual fee credits attributable to each of the districts effluent reuse systems cannot exceed the actual construction costs of the effluent reuse system, which is \$530,000 for the District and \$623,107 for MUD 374. The term of the agreement is for 40 years.

Note 12 – 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.

Required Supplementary Information

Harris County Municipal Utility District No. 433
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 767,300	\$ 816,270	\$ 48,970
Sewer service	622,700	666,774	44,074
Property taxes	2,306,042	2,735,026	428,984
Penalties and interest	25,000	37,712	12,712
Tap connection and inspection	8,400	16,275	7,875
Surface water	1,148,875	1,381,916	233,041
Miscellaneous	2,160	3,563	1,403
Investment earnings	218,000	487,805	269,805
Total Revenues	5,098,477	6,145,341	1,046,864
Expenditures			
Current service operations			
Joint water plant	1,861,052	2,399,922	(538,870)
Professional fees	144,850	204,394	(59,544)
Contracted services	803,000	893,957	(90,957)
Repairs and maintenance	1,448,600	1,587,642	(139,042)
Utilities	153,500	165,651	(12,151)
Administrative	88,500	99,324	(10,824)
Other	28,100	25,014	3,086
Capital outlay	123,440	64,775	58,665
Total Expenditures	4,651,042	5,440,679	(789,637)
Revenues Over Expenditures	447,435	704,662	257,227
Other Item			
Operating reserve adjustment		(263,364)	(263,364)
Net Change in Fund Balance	447,435	441,298	(6,137)
Fund Balance			
Beginning of the year	11,125,997	11,125,997	
End of the year	\$ 11,573,432	\$ 11,567,295	\$ (6,137)

Harris County Municipal Utility District No. 433
Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended August 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water supply	\$ 4,425,641	\$ 3,519,689	\$ (905,952)
Miscellaneous	200	5,792	5,592
Total Revenues	<u>4,425,841</u>	<u>3,525,481</u>	<u>(900,360)</u>
Expenditures			
Current service operations			
Professional fees	16,600	10,245	6,355
Contracted services	33,900	41,584	(7,684)
Repairs and maintenance	137,700	132,517	5,183
Utilities	43,000	51,365	(8,365)
Regional water authority fees	1,767,500	1,909,710	(142,210)
Administrative	31,770	32,206	(436)
Capital outlay	2,395,371	1,347,854	1,047,517
Total Expenditures	<u>4,425,841</u>	<u>3,525,481</u>	<u>900,360</u>
Revenues Over/(Under) Expenditures	-	-	-
Other Item			
Operating reserve adjustment		337,640	337,640
Net Change in Fund Balance		337,640	337,640
Fund Balance			
Beginning of the year	393,227	393,227	
End of the year	<u>\$ 393,227</u>	<u>\$ 730,867</u>	<u>\$ 337,640</u>

Harris County Municipal Utility District No. 433
Notes to Required Supplementary Information
August 31, 2023

Budgets and Budgetary Accounting

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

Texas Supplementary Information

Harris County Municipal Utility District No. 433
TSI-1. Services and Rates
August 31, 2023

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

- Retail Water Wholesale Water Solid Waste/Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks/Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 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:	\$ 18.50	5,000	N	\$ 1.75	5,001 to 10,000
				\$ 2.00	10,001 to 20,000
				\$ 2.50	20,001 to no limit
Wastewater:	\$ 10.00			45% of water bill	to _____
Surcharge:	\$ 4.79	1,000	N	N/A	1,000 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 75.15 Wastewater \$ 10.00

b. Water and Wastewater Retail Connections:

Meter Size	Connections	Connections	ESFC Factor	ESFC'S
Unmetered			x 1.0	
less than 3/4"	901	899	x 1.0	899
1"	432	432	x 2.5	1,080
1.5"	4	4	x 5.0	20
2"	53	53	x 8.0	424
3"	1	1	x 15.0	15
4"	2	2	x 25.0	50
6"			x 50.0	
8"			x 80.0	
10"	3	3	x 115.0	345
Total Water	1,396	1,394		2,833
Total Wastewater	1,339	1,337	x 1.0	1,337

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-1. Services and Rates
August 31, 2023

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

Gallons pumped into system:	<u>10,271,000</u>	Water Accountability Ratio:
Gallons purchased from WHCRWA:	<u>487,003,000</u>	(Gallons billed/sold
		Gallons pumped/purchased)
Gallons billed to customers:	<u>314,367,000</u>	<u>106.17%</u>
Gallons sold to HC MUD 374:	<u>213,595,000</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: Harris County

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

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? _____

See accompanying auditor's report.

***Harris County Municipal Utility District No. 433
TSI-2. General Fund Expenditures
For the Year Ended August 31, 2023***

Joint water plant	
Operating and maintenance	\$ 1,273,947
Regional Water Authority fees	1,125,975
	<u>2,399,922</u>
Professional fees	
Legal	92,698
Audit	16,000
Financial advisor	1,810
Engineering	93,886
	<u>204,394</u>
Contracted services	
Bookkeeping	57,004
Operator	117,122
Garbage collection	351,590
Security service	154,661
Tap connection and inspection	18,575
Sludge and waste disposal	195,005
	<u>893,957</u>
Repairs and maintenance	<u>1,587,642</u>
Utilities	<u>165,651</u>
Administrative	
Directors fees	15,868
Printing and office supplies	21,962
Insurance	16,105
Other	45,389
	<u>99,324</u>
Other	<u>25,014</u>
Capital outlay	<u>64,775</u>
Total expenditures	<u>\$ 5,440,679</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-3. Investments
August 31, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS	Variable	N/A	\$ 10,976,731	\$ -
Certificates of deposit	3.69%	09/29/23	240,000	8,152
Certificates of deposit	3.50%	09/29/23	240,000	7,733
			<u>11,456,731</u>	<u>15,885</u>
Debt Service				
Texas CLASS	Variable	N/A	<u>1,839,664</u>	
Capital Projects				
Texas CLASS	Variable	N/A	35,464	
Texas CLASS	Variable	N/A	6,765,079	
			<u>6,800,543</u>	
Total - All Funds			<u>\$ 20,096,938</u>	<u>\$ 15,885</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-4. Taxes Levied and Receivable
August 31, 2023

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 27,530	\$ 34,507	\$ 62,037	
Adjustments	(8,084)	(13,427)	(21,511)	
Adjusted Receivable	19,446	21,080	40,526	
2022 Original Tax Levy	2,658,947	3,728,267	6,387,214	
Adjustments	89,519	125,520	215,039	
Adjusted Tax Levy	2,748,466	3,853,787	6,602,253	
Total to be accounted for	2,767,912	3,874,867	6,642,779	
Tax collections:				
Current year	2,738,617	3,839,978	6,578,595	
Prior years	(3,591)	(6,649)	(10,240)	
Total Collections	2,735,026	3,833,329	6,568,355	
Taxes Receivable, End of Year	\$ 32,886	\$ 41,538	\$ 74,424	
Taxes Receivable, By Year				
2022	\$ 9,849	\$ 13,809	\$ 23,658	
2021	4,392	7,296	11,688	
2020	3,947	6,881	10,828	
2019 and prior	14,698	13,552	28,250	
Taxes Receivable, End of Year	\$ 32,886	\$ 41,538	\$ 74,424	
	2022	2021	2020	2019
Property Valuations:				
Land	\$ 142,801,952	\$ 133,881,058	\$ 128,613,375	\$ 125,333,817
Improvements	616,339,917	528,149,041	472,025,474	461,009,365
Personal Property	17,611,021	16,247,391	16,136,230	15,609,225
Exemptions	(34,926,692)	(31,453,225)	(29,344,872)	(32,481,380)
Total Property Valuations	\$ 741,826,198	\$ 646,824,265	\$ 587,430,207	\$ 569,471,027
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.3705	\$ 0.357	\$ 0.3645	\$ 0.5995
Debt service tax rates	0.5195	0.593	0.6355	0.5740
Total Tax Rates per \$100 Valuation	\$ 0.8900	\$ 0.950	\$ 1.0000	\$ 1.1735
Adjusted Tax Levy:	\$ 6,602,253	\$ 6,144,831	\$ 5,874,302	\$ 6,682,743
Percentage of Taxes Collected to Taxes Levied **	99.64%	99.81%	99.82%	99.80%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 14, 2011

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2015A Road--by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 400,000	\$ 304,638	\$ 704,638
2025	400,000	292,638	692,638
2026	425,000	280,638	705,638
2027	425,000	267,888	692,888
2028	450,000	254,606	704,606
2029	475,000	239,418	714,418
2030	475,000	222,794	697,794
2031	500,000	205,576	705,576
2032	525,000	187,450	712,450
2033	550,000	167,762	717,762
2034	575,000	149,200	724,200
2035	600,000	126,200	726,200
2036	625,000	102,200	727,200
2037	630,000	77,200	707,200
2038	650,000	52,000	702,000
2039	650,000	26,000	676,000
	<u>\$ 8,355,000</u>	<u>\$ 2,956,208</u>	<u>\$ 11,311,208</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2016 --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 150,000	\$ 114,512	\$ 264,512
2025	155,000	110,576	265,576
2026	160,000	106,506	266,506
2027	165,000	101,706	266,706
2028	175,000	96,756	271,756
2029	180,000	91,506	271,506
2030	190,000	86,106	276,106
2031	195,000	80,168	275,168
2032	205,000	74,076	279,076
2033	210,000	67,668	277,668
2034	220,000	60,844	280,844
2035	230,000	53,418	283,418
2036	240,000	45,656	285,656
2037	245,000	37,256	282,256
2038	255,000	28,682	283,682
2039	265,000	19,756	284,756
2040	280,000	10,150	290,150
	<u>\$ 3,520,000</u>	<u>\$ 1,185,342</u>	<u>\$ 4,705,342</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2017 --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 340,000	\$ 311,931	\$ 651,931
2025	350,000	301,731	651,731
2026	365,000	291,231	656,231
2027	375,000	280,281	655,281
2028	375,000	269,031	644,031
2029	375,000	257,313	632,313
2030	400,000	245,125	645,125
2031	425,000	232,125	657,125
2032	425,000	217,250	642,250
2033	425,000	202,375	627,375
2034	425,000	187,500	612,500
2035	425,000	171,563	596,563
2036	450,000	155,626	605,626
2037	500,000	138,750	638,750
2038	525,000	120,000	645,000
2039	600,000	99,000	699,000
2040	800,000	75,000	875,000
2041	1,075,000	43,000	1,118,000
	<u>\$ 8,655,000</u>	<u>\$ 3,598,832</u>	<u>\$ 12,253,832</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2017A --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 100,000	\$ 192,469	\$ 292,469
2025	100,000	189,969	289,969
2026	100,000	187,719	287,719
2027	100,000	185,469	285,469
2028	100,000	182,969	282,969
2029	100,000	180,219	280,219
2030	100,000	177,469	277,469
2031	100,000	174,469	274,469
2032	100,000	171,469	271,469
2033	100,000	168,469	268,469
2034	100,000	165,219	265,219
2035	125,000	161,969	286,969
2036	125,000	157,906	282,906
2037	125,000	153,844	278,844
2038	125,000	149,625	274,625
2039	150,000	145,250	295,250
2040	1,000,000	140,000	1,140,000
2041	1,000,000	105,000	1,105,000
2042	2,000,000	70,000	2,070,000
	<u>\$ 5,750,000</u>	<u>\$ 3,059,503</u>	<u>\$ 8,809,503</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2018 --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 75,000	\$ 220,969	\$ 295,969
2025	75,000	217,219	292,219
2026	75,000	214,969	289,969
2027	75,000	212,719	287,719
2028	75,000	210,469	285,469
2029	75,000	208,219	283,219
2030	100,000	205,875	305,875
2031	100,000	202,750	302,750
2032	100,000	199,500	299,500
2033	100,000	196,250	296,250
2034	100,000	192,875	292,875
2035	100,000	189,500	289,500
2036	100,000	186,125	286,125
2037	100,000	182,625	282,625
2038	125,000	179,125	304,125
2039	125,000	174,750	299,750
2040	650,000	170,375	820,375
2041	650,000	146,813	796,813
2042	900,000	123,250	1,023,250
2043	2,500,000	90,625	2,590,625
	<u>\$ 6,200,000</u>	<u>\$ 3,725,002</u>	<u>\$ 9,925,002</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2019 --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 150,000	\$ 141,000	\$ 291,000
2025	150,000	136,500	286,500
2026	150,000	132,000	282,000
2027	150,000	127,500	277,500
2028	175,000	123,000	298,000
2029	175,000	117,750	292,750
2030	175,000	112,500	287,500
2031	200,000	107,250	307,250
2032	200,000	101,250	301,250
2033	200,000	95,250	295,250
2034	200,000	89,250	289,250
2035	200,000	83,250	283,250
2036	225,000	77,250	302,250
2037	225,000	70,500	295,500
2038	250,000	63,750	313,750
2039	250,000	56,250	306,250
2040	275,000	48,750	323,750
2041	275,000	40,500	315,500
2042	275,000	32,250	307,250
2043	800,000	24,000	824,000
	<u>\$ 4,700,000</u>	<u>\$ 1,779,750</u>	<u>\$ 6,479,750</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2019A Refunding --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 280,000	\$ 238,800	\$ 518,800
2025	305,000	230,400	535,400
2026	330,000	218,200	548,200
2027	355,000	205,000	560,000
2028	385,000	190,800	575,800
2029	410,000	175,400	585,400
2030	435,000	159,000	594,000
2031	460,000	141,600	601,600
2032	485,000	123,200	608,200
2033	505,000	103,800	608,800
2034	550,000	88,650	638,650
2035	590,000	72,150	662,150
2036	605,000	54,450	659,450
2037	595,000	36,300	631,300
2038	615,000	18,450	633,450
	<u>\$ 6,905,000</u>	<u>\$ 2,056,200</u>	<u>\$ 8,961,200</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2020 --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 125,000	\$ 182,906	\$ 307,906
2025	125,000	177,906	302,906
2026	125,000	172,906	297,906
2027	125,000	167,906	292,906
2028	125,000	165,406	290,406
2029	150,000	162,906	312,906
2030	150,000	159,906	309,906
2031	150,000	156,906	306,906
2032	150,000	153,719	303,719
2033	175,000	150,531	325,531
2034	175,000	146,594	321,594
2035	175,000	142,656	317,656
2036	200,000	138,500	338,500
2037	200,000	133,750	333,750
2038	200,000	128,750	328,750
2039	225,000	123,750	348,750
2040	225,000	118,125	343,125
2041	225,000	112,219	337,219
2042	250,000	106,314	356,314
2043	300,000	99,750	399,750
2044	3,500,000	91,876	3,591,876
	<u>\$ 7,075,000</u>	<u>\$ 2,993,282</u>	<u>\$ 10,068,282</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2021 --by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 50,000	\$ 87,244	\$ 137,244
2025	50,000	85,744	135,744
2026	50,000	84,244	134,244
2027	50,000	82,744	132,744
2028	50,000	81,244	131,244
2029	50,000	80,744	130,744
2030	50,000	80,182	130,182
2031	50,000	79,556	129,556
2032	5,000	78,868	83,868
2033	5,000	78,788	83,788
2034	5,000	78,706	83,706
2035	5,000	78,626	83,626
2036	5,000	78,544	83,544
2037	5,000	78,462	83,462
2038	5,000	78,376	83,376
2039	5,000	78,288	83,288
2040	50,000	78,200	128,200
2041	75,000	77,326	152,326
2042	75,000	76,012	151,012
2043	50,000	74,700	124,700
2044	75,000	73,700	148,700
2045	3,610,000	72,200	3,682,200
	<u>\$ 4,375,000</u>	<u>\$ 1,742,498</u>	<u>\$ 6,117,498</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2021A Refunding--by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 215,000	\$ 111,000	\$ 326,000
2025	215,000	104,550	319,550
2026	220,000	98,100	318,100
2027	245,000	91,500	336,500
2028	245,000	84,150	329,150
2029	270,000	76,800	346,800
2030	265,000	71,400	336,400
2031	290,000	66,100	356,100
2032	285,000	60,300	345,300
2033	305,000	54,600	359,600
2034	300,000	48,500	348,500
2035	295,000	42,500	337,500
2036	290,000	36,600	326,600
2037	310,000	30,800	340,800
2038	330,000	24,600	354,600
2039	900,000	18,000	918,000
	<u>\$ 4,980,000</u>	<u>\$ 1,019,500</u>	<u>\$ 5,999,500</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2022 Park--by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 100,000	\$ 286,000	\$ 386,000
2025	100,000	280,000	380,000
2026	100,000	274,000	374,000
2027	100,000	268,000	368,000
2028	100,000	262,000	362,000
2029	100,000	256,000	356,000
2030	100,000	252,000	352,000
2031	100,000	248,000	348,000
2032	100,000	244,000	344,000
2033	100,000	240,000	340,000
2034	100,000	236,000	336,000
2035	100,000	232,000	332,000
2036	125,000	228,000	353,000
2037	125,000	223,000	348,000
2038	125,000	218,000	343,000
2039	125,000	213,000	338,000
2040	125,000	208,000	333,000
2041	150,000	203,000	353,000
2042	125,000	197,000	322,000
2043	125,000	192,000	317,000
2044	350,000	187,000	537,000
2045	325,000	173,000	498,000
2046	4,000,000	160,000	4,160,000
	<u>\$ 6,900,000</u>	<u>\$ 5,280,000</u>	<u>\$ 12,180,000</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 10,000	\$ 315,200	\$ 325,200
2025	10,000	314,800	324,800
2026	10,000	314,400	324,400
2027	10,000	314,000	324,000
2028	100,000	313,600	413,600
2029	125,000	309,600	434,600
2030	125,000	304,600	429,600
2031	125,000	299,600	424,600
2032	125,000	294,600	419,600
2033	150,000	289,600	439,600
2034	150,000	283,600	433,600
2035	150,000	277,600	427,600
2036	150,000	271,600	421,600
2037	150,000	265,600	415,600
2038	175,000	259,600	434,600
2039	200,000	252,600	452,600
2040	200,000	244,600	444,600
2041	200,000	236,600	436,600
2042	200,000	228,600	428,600
2043	200,000	220,600	420,600
2044	200,000	212,600	412,600
2045	300,000	204,600	504,600
2046	315,000	192,600	507,600
2047	4,500,000	180,000	4,680,000
	<u>\$ 7,880,000</u>	<u>\$ 6,400,800</u>	<u>\$ 14,280,800</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 433
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
August 31, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2024	\$ 1,995,000	\$ 2,506,669	\$ 4,501,669
2025	2,035,000	2,442,033	4,477,033
2026	2,110,000	2,374,913	4,484,913
2027	2,175,000	2,304,713	4,479,713
2028	2,355,000	2,234,031	4,589,031
2029	2,485,000	2,155,875	4,640,875
2030	2,565,000	2,076,957	4,641,957
2031	2,695,000	1,994,100	4,689,100
2032	2,705,000	1,905,682	4,610,682
2033	2,825,000	1,815,093	4,640,093
2034	2,900,000	1,726,938	4,626,938
2035	2,995,000	1,631,432	4,626,432
2036	3,140,000	1,532,457	4,672,457
2037	3,210,000	1,428,087	4,638,087
2038	3,380,000	1,320,958	4,700,958
2039	3,495,000	1,206,644	4,701,644
2040	3,605,000	1,093,200	4,698,200
2041	3,650,000	964,458	4,614,458
2042	3,825,000	833,426	4,658,426
2043	3,975,000	701,675	4,676,675
2044	4,125,000	565,176	4,690,176
2045	4,235,000	449,800	4,684,800
2046	4,315,000	352,600	4,667,600
2047	4,500,000	180,000	4,680,000
	<u>\$ 75,295,000</u>	<u>\$ 35,796,917</u>	<u>\$ 111,091,917</u>

See accompanying auditor's report.

	Bond Issue			
	Series 2015A Road	Series 2016	Series 2017	Series 2017A
Interest rate	3.00% - 4.00%	2.00% - 3.625%	3.00% - 5.00%	2.25% - 4.25%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/15 - 9/1/39	9/1/16 - 9/1/40	9/1/17 - 9/1/41	9/1/18 - 9/1/42
Beginning bonds outstanding	\$ 8,730,000	\$ 3,665,000	\$ 8,980,000	\$ 5,800,000
Bonds issued				
Bonds retired	(375,000)	(145,000)	(325,000)	(50,000)
Ending bonds outstanding	<u>\$ 8,355,000</u>	<u>\$ 3,520,000</u>	<u>\$ 8,655,000</u>	<u>\$ 5,750,000</u>
Interest paid during fiscal year	<u>\$ 319,638</u>	<u>\$ 118,138</u>	<u>\$ 321,681</u>	<u>\$ 194,594</u>
Paying agent's name and city	Bank of Texas, N.A., Austin, Texas			
Series 2014, 2015 and 2015A	BOKF, NA, Austin, Texas			
Series 2016, 2017 and 2017A	BOKF, NA, Dallas, Texas			
All other Series	BOKF, NA, Dallas, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Facilities	Road Bonds	Water, Sewer and Drainage Refunding Bonds
Amount Authorized by Voters	\$ 200,000,000	\$ 20,000,000	\$ 15,000,000	\$ 300,000,000
Amount Issued	(67,165,000)	(7,000,000)	(10,155,000)	(240,000)
Remaining To Be Issued	<u>\$ 132,835,000</u>	<u>\$ 13,000,000</u>	<u>\$ 4,845,000</u>	<u>\$ 299,760,000</u>
Bond Authority:	Parks Facilities Refunding Bonds	Road Refunding Bonds		
Amount Authorized by Voters	\$ 30,000,000	\$ 22,500,000		
Amount Issued				
Remaining To Be Issued	<u>\$ 30,000,000</u>	<u>\$ 22,500,000</u>		

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 August 31, 2023: \$ 1,964,782

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 4,628,830

See accompanying auditor's report.

Bond Issue				
Series 2018	Series 2019	Series 2019A Refunding	Series 2020	Series 2021
3.00% - 5.00%	2.00% - 3.00%	3.00% - 4.00%	2.00% - 4.00%	1.00% - 3.00%
3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
9/1/19 - 9/1/43	9/1/19 - 9/1/43	9/1/19 - 9/1/38	9/1/20 - 9/1/44	9/1/21 - 9/1/45
\$ 6,275,000	\$ 4,775,000	\$ 7,160,000	\$ 7,200,000	\$ 4,425,000
(75,000)	(75,000)	(255,000)	(125,000)	(50,000)
\$ 6,200,000	\$ 4,700,000	\$ 6,905,000	\$ 7,075,000	\$ 4,375,000
\$ 224,719	\$ 142,500	\$ 246,450	\$ 187,906	\$ 88,744

	Bond Issue			Totals
	Series 2021A Refunding	Series 2022 Park	Series 2023	
Interest rate	2.00% - 3.00%	4.00% - 6.00%	4.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/21 - 9/1/39	9/1/23 - 9/1/46	9/1/23 - 9/1/47	
Beginning bonds outstanding	\$ 5,195,000	\$ 7,000,000	\$ -	\$ 69,205,000
Bonds issued			7,890,000	7,890,000
Bonds retired	(215,000)	(100,000)	(10,000)	(1,800,000)
Ending bonds outstanding	<u>\$ 4,980,000</u>	<u>\$ 6,900,000</u>	<u>\$ 7,880,000</u>	<u>\$ 75,295,000</u>
Interest paid during fiscal year	<u>\$ 117,450</u>	<u>\$ 340,667</u>	<u>\$ 105,200</u>	<u>\$ 2,407,687</u>

See accompanying auditor's report.

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Harris County Municipal Utility District No. 433
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 816,270	\$ 748,720	\$ 643,415	\$ 660,786	\$ 613,433
Sewer service	666,774	600,118	555,727	543,041	498,628
Property taxes	2,735,026	2,309,417	2,160,146	3,385,433	3,435,848
Penalties and interest	37,712	26,883	21,666	15,087	17,294
Tap connection and inspection	16,275	183,547	12,453	139,004	19,205
Surface water	1,381,916	1,289,497	1,002,135	1,054,056	930,638
Miscellaneous	3,563	4,366	5,881	9,215	17,643
Investment earnings	487,805	58,754	18,012	88,465	151,689
Total Revenues	<u>6,145,341</u>	<u>5,221,302</u>	<u>4,419,435</u>	<u>5,895,087</u>	<u>5,684,378</u>
Expenditures					
Current service operations					
Joint water plant	2,399,922	1,320,783	1,181,523	1,164,745	1,011,432
Professional fees	204,394	373,452	172,408	171,051	131,613
Contracted services	893,957	812,213	633,354	616,424	572,565
Repairs and maintenance	1,587,642	1,495,058	1,469,247	1,123,462	1,205,352
Smart meter installation			629,771		
Utilities	165,651	159,272	152,902	153,197	179,733
Administrative	99,324	104,928	85,295	79,035	68,069
Other	25,014	23,196	10,115	12,191	9,335
Capital outlay	64,775	382,649		73,172	334,487
Debt service					
Developer interest		18,479			3,329
Total Expenditures	<u>5,440,679</u>	<u>4,690,030</u>	<u>4,334,615</u>	<u>3,393,277</u>	<u>3,515,915</u>
Revenues Over Expenditures	<u>\$ 704,662</u>	<u>\$ 531,272</u>	<u>\$ 84,820</u>	<u>\$ 2,501,810</u>	<u>\$ 2,168,463</u>
Total Active Retail Water Connections	<u>1,394</u>	<u>1,395</u>	<u>1,393</u>	<u>1,391</u>	<u>1,389</u>
Total Active Retail Wastewater Connections	<u>1,337</u>	<u>1,337</u>	<u>1,336</u>	<u>1,335</u>	<u>1,335</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
13%	14%	15%	11%	11%
11%	11%	13%	9%	9%
45%	44%	49%	58%	61%
1%	1%	*	*	*
*	4%	*	2%	*
22%	25%	23%	18%	16%
*	*	*	*	*
8%	1%	*	2%	3%
100%	100%	100%	100%	100%

39%	25%	27%	20%	18%
3%	7%	4%	3%	2%
15%	16%	14%	10%	10%
26%	29%	33%	19%	21%
		14%		
3%	3%	3%	3%	3%
2%	2%	2%	1%	1%
*	*	*	*	*
1%	7%		1%	6%
	*			*
89%	89%	97%	57%	61%
11%	11%	3%	43%	39%

Harris County Municipal Utility District No. 433
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 3,833,329	\$ 3,833,514	\$ 3,750,328	\$ 3,258,276	\$ 2,991,467
Penalties and interest	23,368	14,795	23,358	22,084	10,867
Miscellaneous	1,364	1,572	942	25	25
Investment earnings	166,413	22,723	9,003	26,814	64,603
Total Revenues	<u>4,024,474</u>	<u>3,872,604</u>	<u>3,783,631</u>	<u>3,307,199</u>	<u>3,066,962</u>
Expenditures					
Tax collection services	73,333	71,501	56,803	92,010	73,261
Debt service					
Principal	1,800,000	1,595,000	1,505,000	1,180,000	1,110,000
Interest and fees	2,394,915	2,019,493	2,067,174	1,987,379	1,896,096
Debt issuance costs			63,714		288,199
Total Expenditures	<u>4,268,248</u>	<u>3,685,994</u>	<u>3,692,691</u>	<u>3,259,389</u>	<u>3,367,556</u>
Revenues Over/(Under) Expenditures	<u>\$ (243,774)</u>	<u>\$ 186,610</u>	<u>\$ 90,940</u>	<u>\$ 47,810</u>	<u>\$ (300,594)</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
95%	99%	99%	98%	98%
1%	*	1%	1%	*
*	*	*	*	*
4%	1%	*	1%	2%
100%	100%	100%	100%	100%
2%	2%	2%	3%	2%
45%	41%	40%	36%	36%
60%	52%	55%	60%	62%
		2%		9%
107%	95%	99%	99%	109%
(7%)	5%	1%	1%	(9%)

Harris County Municipal Utility District No. 433
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2023

Complete District Mailing Address: 1281 Brittonmoore Rd. Houston, TX 77043-4001
District Business Telephone Number: (713) 623-4539
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 6, 2018
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				
Walter Doyle	05/20 - 05/24	\$ 3,292	\$ 2,471	President
Scott Forbes	05/20 - 05/24	2,842	2,204	Vice President
Taylor Cavnar	05/22 - 05/26	2,242	94	Treasurer
Derek Wallace	05/22 - 05/26	2,542	1,222	Secretary
Allison Bognar	05/22 - 05/26	4,950	2,971	Assistant Secretary
Amounts				
		<u>Paid</u>		
Consultants		\$ 255,618		
Norton Rose Fullbright US LLP	02/15			Attorney
Inframark, LLC	02/06	850,073		Operator
Municipal Accounts & Consulting, L.P.	03/20	68,744		Bookkeeper
Tax Tech, Inc.	02/08	24,631		Tax Collector
Harris Central Appraisal District	Legislation	47,261		Property Valuation
Brown & Gay Engineers, Inc.	02/06	724,939		Engineer
McGrath & Co., PLLC	07/16	21,250		Auditor
Public Finance Group, LLC	02/06	206,515		Financial Advisor
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/14	10,704		Delinquent Tax Attorney

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

APPENDIX B
Form of Bond Counsel Opinion

[DATE]

Norton Rose Fulbright US LLP
1550 Lamar Street, Suite 2000
Houston, Texas 77010-4106
United States

Tel +1 713 651 5151
Fax +1 713 651 5246
nortonrosefulbright.com

We have acted as bond counsel in connection with the issuance by Harris County Municipal Utility District No. 433 (the “*Issuer*”) of its Unlimited Tax Bonds, Series 2024 (the “*Bonds*”) in the aggregate principal amount of \$6,330,000.

In rendering the opinions herein we have examined and relied upon an executed Bond; original or certified copies of the proceedings had in connection with issuance of the Bonds, including the Order of the governing body of the Issuer which authorizes issuance of the Bonds (the “*Order*”); certificates of officers of the Issuer related to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Issuer, which are within its sole knowledge and control; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

Based upon such examination, we are of the opinion, that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds are valid and legally binding obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Bonds are payable from and equally and ratably secured solely by a lien on and pledge of ad valorem taxes levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.

3. Pursuant to the Internal Revenue Code of 1986, as amended and in force on the date hereof (the “*Code*”), and existing regulations, published rulings, and court decisions thereunder, assuming continuing compliance with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Bonds is excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code, and such interest will not be included for federal income tax purposes in computing the alternative minimum taxable income of the owners thereof who are individuals.

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on,

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas. 138334670.2

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or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or any court; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX C
Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), 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 AGM, 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 AGM shall have received Notice of Nonpayment, AGM 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 AGM, 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM 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, AGM 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 AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM 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 AGM 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 AGM 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.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM 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 AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM 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 AGM, 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 MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100