

**NEW ISSUE-BOOK-ENTRY-ONLY**      **RATINGS: Insured BAM S&P “AA” (Stable Outlook); Underlying Rating: Moody’s “A2”**  
See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

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

The District has designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS.”

**\$5,210,000**

**MISSION BEND MUNICIPAL UTILITY DISTRICT No. 2**  
**(A Political Subdivision of the State of Texas Located in Harris County, Texas)**  
**UNLIMITED TAX PARK BONDS, SERIES 2023**

**Dated Date: June 1, 2023**

**Due: September 1, as shown on the inside cover page.**

The \$5,210,000 Unlimited Tax Park Bonds, Series 2023 (the “Bonds”), are obligations solely of Mission Bend Municipal Utility District No. 2 (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 June 1, 2023, and is payable March 1, 2024, 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 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/registrar for the Bonds shall be The Bank of New York Mellon Trust Company, N.A., 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, 2036, in whole or from time to time in part, on September 1, 2029, 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. See “THE BONDS – 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 **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “BOND INSURANCE” and “APPENDIX B - Specimen Municipal Bond Insurance Policy.”



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**MATURITIES**  
**(see inside cover page)**

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The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable solely from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the initial purchaser (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 Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas (“Bond Counsel”). Delivery of the Bonds is expected through the facilities of DTC on or about June 1, 2023 (the “Date of Initial Delivery”), in Houston, Texas.

**MATURITIES**  
(Due September 1)

Due	Principal Amount	Interest Rate <sup>(a)</sup>	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>	Due	Principal Amount	Interest Rate <sup>(a)</sup>	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>
2024	\$ 5,000	5.000%	3.400%	605023KA7	2037 *	\$ 675,000	3.500%	3.700%	605023KP4
2025	5,000	5.000%	3.400%	605023KB5	2038 *	725,000	3.500%	3.800%	605023KQ2
2026	40,000	5.250%	3.150%	605023KC3	2039 *	750,000	3.625%	3.880%	605023KR0
2027	40,000	5.500%	3.150%	605023KD1	2040 *	800,000	4.000%	3.850%	605023KS8
2028	40,000	5.500%	3.150%	605023KE9	2041 *	825,000	4.000%	3.870%	605023KT6
2029	45,000	5.500%	3.150%	605023KF6	2042 *	875,000	4.000%	3.900%	605023KU3
\$385,000 4.000% <sup>(a)</sup> Term Bond Due September 1, 2036* Yield 3.450% <sup>(b)</sup> CUSIP Number 605023KN9 <sup>(c)</sup>									

\* 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, 2036, in whole or from time to time in part, on September 1, 2029, 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 September 1, 2036 (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 97.002% of par, resulting in a net effective interest rate to the District of 4.022574%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first 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.
- (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. None of the Initial Purchaser, the District, or Public Finance Group LLC, the District's financial advisor (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.

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

### **Initial Purchaser**

After requesting competitive bids for the Bonds, the District has accepted the bid of The Baker Group (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.002% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

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

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") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investor Service, Inc. ("Moody's") has assigned an underlying rating of "A2" to the Bonds. The fee associated with the underlying rating assigned to the Bonds by Moody's will be paid by the District.

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

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

#### **Build America Mutual Assurance Company**

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by

the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.7million, \$207.3 million and \$283.4 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

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

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

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

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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 .....	Mission Bend Municipal Utility District No. 2 (the “District”), located in Harris County, Texas, a political subdivision of the State of Texas, as authorized by Article XVI, Section 59 of the Texas Constitution, was created on December 13, 1977, by the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
Location .....	The District is located approximately 20 miles west of the central business district of the City of Houston. Access to the District is provided via Westheimer Road, Bellaire Boulevard or IH 10 to SH 6, via West Park Toll Road to Highway 6 or via the Southwest Freeway (“U.S. 59”) to Bellaire Boulevard, which bisects the District from east to west. The District lies within the 2,500-acre Mission Bend development, and currently contains approximately 738.70 acres of land. See “LOCATION MAP” and “THE DISTRICT - Location.” The District has entered into a strategic partnership agreement with the City of Houston. See “THE BONDS – Strategic Partnership Agreement” herein.
Status of Development .....	The District contains approximately 738.70 acres, of which approximately 691.50 are developable. As of April 1, 2023, approximately 670.70 acres (or 96.99% of the approximately 691.50 developable acres within the District) have been developed with utility facilities. Single-family development consists of three residential subdivisions including Altamira, Beechnut Meadows, and Terra del Sol, and includes 916 developed single-family lots, all of which have completed homes. The District also contains four large retail stores with a total of approximately 425,646 square feet of space, eight strip shopping centers, three banks, six apartment complexes totaling 2,633 units, a 160,000 square foot office building, an automobile dealership and surrounding auto repair shops, three gas stations, two public storage facilities, twelve fast food establishments, fifteen restaurants, two laundromats, and various other retail and commercial establishments. In addition, the District contains two Alief ISD schools, four religious academy schools, four churches, and a YMCA, all of which are exempt from ad valorem taxation. The District contains approximately 20.8 acres of undeveloped land that remains to be developed with streets and water, sanitary sewer, and drainage facilities, and approximately 47 acres of undevelopable land. See “THE DISTRICT – Historical and Current Status of Development.”

### THE BONDS

Description .....	The Bonds in the aggregate principal amount of \$5,210,000 mature serially in varying amounts on September 1 of each year from 2024 through 2029, inclusive, and 2037 through 2042, inclusive, and as a Term Bond which matures on September 1, 2036 (the “Term Bond”). The Bonds are dated June 1, 2023, and interest accrues from June 1, 2023, at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2024, 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, 2036, in whole or from time to time in part, on September 1, 2029, 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. See “TAXING PROCEDURES.” <b>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.</b> See “THE BONDS - Source of and Security for Payment.”
Payment Record .....	The Bonds constitute the sixteenth installment of bonds issued by the District. The District has not defaulted on the timely payment of principal of or interest on its previously issued obligations (collectively, the “Previously Issued 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 7, 2006; the approving order of the Texas Commission on Environmental Quality (the "TCEQ"); and a resolution adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Resolution"). See "THE BONDS - Authority for Issuance."
Use of Proceeds.....	The proceeds of the Bonds will be used to finance park and recreational improvements at Little Villa Wetland Park.  The remaining Bond proceeds will be used to: (i) capitalize approximately twelve months' interest requirements on the Bonds; (ii) pay engineering costs; and (iii) pay other costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Bonds Authorized But Unissued.....	Pursuant to separate elections held on April 4, 1981; January 9, 1982; and November 7, 2006, the District's voters authorized the issuance of an aggregate principal amount of \$45,620,000 of unlimited tax bonds to be issued for the acquisition and construction of water, sewer, and drainage facilities, of which \$7,530,000 remains authorized but unissued. On April 3, 1993, voters of the District authorized the issuance of a total of \$30,000,000 aggregate principal amount of bonds to be issued for the purpose of refunding the District's outstanding debt, of which \$24,390,234.39 remains authorized but unissued. At an election held in the District on November 7, 2006, the voters within the District approved the issuance of \$8,000,000 aggregate principal amount of unlimited tax bonds for the acquisition and construction of parks and recreational facilities, none of which will remain authorized but unissued after the issuance of the Bonds. The voters of the District may, in the future, authorize the issuance of additional obligations. See "FINANCIAL STATEMENT - Outstanding Bonds - Table 6" and "THE BONDS - Issuance of Additional Debt."
Municipal Bond Ratings and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. See "INVESTMENT CONSIDERTIONS - Bond Insurance Risks." Additionally, Moody's Investor Service, Inc. ("Moody's") has assigned an underlying rating of "A2" to the Bonds. The fee associated with the underlying rating assigned to the Bonds by Moody's will be paid by the District.
Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code"). See "TAX MATTERS - Qualified Tax-Exempt Obligations."
General Counsel and Bond Counsel .....	Allen Boone Humphries Robinson LLP, Houston, Texas
Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Houston, Texas
Financial Advisor.....	Public Finance Group LLC, Austin, Texas
Engineer.....	AEI Engineering, a Baxter & Woodman Company, Houston, Texas
Paying Agent / Registrar .....	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

#### INVESTMENT CONSIDERATIONS

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

**SELECTED FINANCIAL INFORMATION**  
(Unaudited)

2022 Certified Assessed Valuation	\$ 590,062,543 <sup>(a)</sup>
Estimated Assessed Valuation as of March 1, 2023	\$ 594,457,384 <sup>(b)</sup>
Gross Debt Outstanding (after issuance of the Bonds)	\$ 13,655,000 <sup>(c)</sup>
Ratio of Gross Debt to 2022 Certified Assessed Valuation	2.31%
Ratio of Gross Debt to Estimated Assessed Valuation as of March 1, 2023	2.30%
2022 Tax Rate	
Debt Service	\$ 0.1945
Maintenance	<u>0.3618</u>
<b>Total 2022 Tax Rate</b>	<u><u>\$ 0.5563</u></u> <sup>(d)</sup>
Debt Service Fund Balance (as of April 18, 2023)	\$ 954,957 <sup>(e)</sup>
Percentage of current tax collections (Tax Year 2022)	95.91% <sup>(f)</sup>
Percentage of total tax collections (Tax Years 2011-2022)	99.37% <sup>(f)</sup>
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2023-2042, inclusive)	\$ 938,451
Tax Rate required to pay Average Requirement based upon 2022 Certified Assessed Valuation at 95% collections	\$ 0.17 /\$100 AV
Tax Rate required to pay Average Requirement based upon Estimated Assessed Valuation as of March 1, 2023 at 95% collections	\$ 0.17 /\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2024)	\$ 1,357,189
Tax Rate required to pay Maximum Requirement based upon 2022 Certified Assessed Valuation at 95% collections	\$ 0.25 /\$100 AV
Tax Rate required to pay Maximum Requirement based upon Estimated Assessed Valuation as of March 1, 2023 at 95% collections	\$ 0.25 /\$100 AV
Number of active connections as of February 1, 2023	
Occupied Single Family	910
Vacant Single Family	6
Multi-Family (2,633 total units/ 2,616 units occupied)	11
Commercial	139
Irrigation/Other	<u>203</u>
<b>Total Number of Active Connections</b>	<b>1,269</b>
Estimated Population as of February 1, 2023	9,270 <sup>(g)</sup>

- (a) The certified assessed valuation as of January 1, 2022, as provided by Harris Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."
- (b) The estimated assessed valuation as of March 1, 2023, as provided by HCAD, is included solely for purposes of illustration. Taxes are levied on value as certified by HCAD as of January 1 of each year. Consequently, this estimate will not be used to produce the tax revenue for the District. See "TAXING PROCEDURES."
- (c) Includes the Bonds.
- (d) The District levied a 2022 tax rate of \$0.5563. See "TAXING PROCEDURES."
- (e) Unaudited as of April 18, 2023. Does not include approximately twelve months' capitalized interest (\$209,576) included in the Bond proceeds to be deposited into the Debt Service Fund at closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.
- (f) See "TAX DATA – Tax Collections – Table 10."
- (g) Based on 3.0 residents per active single-family complete and occupied connection and 2.5 residents per occupied apartment unit. Of the 2,633 total apartment units, 2,616 units were occupied as of February 1, 2023. See "THE DISTRICT - Multi-Family" for current apartment occupancy rates.

**OFFICIAL STATEMENT  
relating to**

**\$5,210,000**

**Mission Bend Municipal Utility District No. 2  
(A Political Subdivision of the State of Texas Located in Harris County, Texas)  
UNLIMITED TAX PARK BONDS, SERIES 2023**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Mission Bend Municipal Utility District No. 2 (the "District"), a political subdivision of the State of Texas (the "State"), of its \$5,210,000 Unlimited Tax Park Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to a resolution adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Resolution"); Article XVI, Section 59 of the Constitution, and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 7, 2006; and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. 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 Allen Boone Humphries Robinson LLP, Attn: Christina Miller, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 or from the District's Financial Advisor, Public Finance Group LLC, at 500 West 2<sup>nd</sup> Street, Suite 1900, Austin, Texas 78701, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" and "OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period" for a description of the District undertaking to provide certain information on a continuing basis.

**THE BONDS**

**General Description**

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 June 1, 2023, and is payable March 1, 2024, 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 shall be the Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "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, 2036, in whole or from time to time in part, on September 1, 2029, 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, 2036 (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:

<b>\$385,000 Term Bond Maturing September 1, 2036</b>	
<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>
2030	\$ 50,000
2031	50,000
2032	50,000
2033	55,000
2034	55,000
2035	60,000
2036*	65,000

\*Stated Maturity

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

**Notice of Redemption** . . . At least 30 calendar days prior to the date fixed for any optional redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and interest on the Bonds to be redeemed have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

## **DTC Redemption Provision**

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

## **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"). If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds shall be 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.

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 15<sup>th</sup> 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 so 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 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 45 days prior to a Redemption Date 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.

**Replacement Bonds. . .** If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost, or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Resolution relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated,

destroyed, lost or stolen Bonds.

### **Authority for Issuance**

At elections held within the District on April 4, 1981; January 9, 1982; and November 7, 2006, the District's voters authorized the issuance of an aggregate principal amount of \$45,620,000 of unlimited tax bonds to be issued for the acquisition and construction of water, sewer, and drainage facilities, of which \$7,530,000 remains authorized but unissued. On April 3, 1993, voters of the District authorized the issuance of a total of \$30,000,000 aggregate principal amount of bonds to be issued for the purpose of refunding the District's outstanding debt, of which \$24,390,234.39 remains authorized but unissued. At an election held in the District on November 7, 2006, the voters within the District approved the issuance of \$8,000,000 aggregate principal amount of unlimited tax bonds for the acquisition and construction of parks and recreational facilities, none of which will remain authorized but unissued after the issuance of the Bonds. The voters of the District may, in the future, authorize the issuance of additional obligations.

The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, and the bond election held within the District on November 7, 2006. The issuance of the Bonds has been approved by an order of the TCEQ.

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

The Bonds will be payable from and secured by a pledge of the proceeds of a continuing direct annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. The Board covenants in the Bond Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against all 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, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Resolution provides for the termination of the pledge of taxes when and if the City of Houston, Texas (the "City") annexes and dissolves the District and assumes all debts and liabilities of the District.

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

### **Payment Record**

The Bonds constitute the sixteenth installment of bonds issued by the District. The District has not defaulted on the timely payment of principal of or interest on its previously issued obligations (collectively, the "Previously Issued Bonds"). See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."

### **Funds**

The Bond Resolution confirms a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart in the books and records of the District from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of the State of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

**Debt Service Fund...** The Bond Resolution confirms the Debt Service Fund to be used to pay principal and interest on and Paying Agent fees in respect to the Bonds. The Bond Resolution requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Initial Purchaser, the amount received from proceeds of the Bonds representing twelve months of capitalized interest on the Bonds and interest accrued from June 1, 2023, if any, to the Date of Initial Delivery, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Resolution requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

**Capital Projects Fund...** The Capital Projects Fund is the capital improvements fund of the District. The Bond Resolution requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Resolution. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds, and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct park and recreational facilities as approved by TCEQ, then in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to utilize such funds as otherwise authorized by the TCEQ.

## **No Arbitrage**

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

## **Paying Agent/Registrar**

Principal of and semiannual interest on the Bonds will be paid by the initial Paying Agent/Registrar, The Bank of New York Mellon Trust Company, N.A., having an office for payment in Dallas, Texas. Any Paying Agent must be either a bank, trust company, financial institution, or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Resolution for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent’s records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

## **Defeasance of Outstanding Bonds**

The Bond Resolution provides that any bond shall be deemed to be paid and shall no longer be considered to be a bond within the meaning of the Bond Resolution when payment of the principal of and interest on such bond to its stated maturity or (if notice of redemption shall have been duly given, irrevocably provided for, or duly waived) to the redemption date shall have been made or shall have been provided for under the provisions of the Bond Resolution. Such payment may be provided for by deposit with the Paying Agent (or with any other bank or trust company which has agreed to hold the same for such purpose) of (i) money sufficient to make such payment, (ii) Defeasance Obligations (as defined below) certified by an independent verification 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 (iii) a combination of money and Defeasance 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).

For purposes of these provisions, “Defeasance Obligations” means (i) 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, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (iii) noncallable obligations of a state or agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, but in the case of each of (i), (ii), and (iii), only if such obligations may not be called for redemption prior to maturity.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Obligations or those for any other Defeasance Obligation will be maintained at any particular rating category.

## **Record Date**

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

## **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the TCEQ, 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 an aggregate principal amount of \$45,620,000 of unlimited tax bonds for the purpose of acquiring and constructing water, sewer, and drainage facilities, of which \$7,530,000 remains authorized but unissued. The District’s voters also have authorized a total of \$30,000,000 principal amount of unlimited tax bonds for refunding purposes, of which \$24,390,234.39 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. The Board has approved a park plan and at an election held on November 7, 2006, voters in the District authorized the issuance of \$8,000,000 principal amount of unlimited tax bonds for the acquisition and construction of park and recreational facilities, none of which will remain authorized but unissued after the issuance of the Bonds. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District’s certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) approval of a detailed fire plan by the TCEQ; (b) authorization of the detailed fire plan and bonds for such purposes by the qualified voters in the District; (c) approval of the bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. The Board has not considered developing a fire plan or calling an election at this time for such purposes. Fire protection is currently provided to property in the District by Harris-Fort Bend Counties ESD No. 100.

The District has the right to issue the authorized but unissued bonds without the necessity of further voter authorization. Before issuing any additional bonds for water, sewer and drainage facilities or park and recreational facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such contract, provided the provisions of the contract are approved by the voters of the District.

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

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

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

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

## **Remedies in Event of Default**

If the District defaults in the payment of the principal 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 Resolution, any bondholder shall, in addition to all other rights and remedies of such bondholder provided by the laws of the State, be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body and other officers of the District to make such payment or to observe and perform such covenant, obligation, or condition. No delay or omission by any bondholder to exercise any right or power accruing to such bondholder upon default will impair any such right and power or be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the bondholders. 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 bondholders. 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, and a suit for money damages may not be brought without legislative authorization. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the bondholders 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 bondholders 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.

### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with that of any other district.

### **Annexation by the City of Houston**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership Agreement" below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

### **Strategic Partnership Agreement**

In 2003, the District entered into a strategic partnership agreement with the City pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District was annexed into the City for limited purposes, while the balance of the District remains in the City's extraterritorial jurisdiction. As a result of the agreement, the City imposes a one percent sales and use tax (but not its property taxes) within the area of limited purpose annexation and remits one-half of the City's sales and use tax receipts from within the District to the District to be used for any lawful District purpose. In addition, for the 30-year term of the agreement, the City agrees not to annex the District for general purposes, thus delaying for at least 30 years from the date of the agreement any dissolution of the District and assumption of its assets and liabilities by the City. The City and the District may amend the strategic partnership agreement at any time. Funds to be received by the City under the agreement are not pledged to the payment of the Bonds. After the 30-year term, if the District is annexed, the City will assume the District's assets and obligations and dissolve the District within ninety (90) days. Annexation of the territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

### **Alteration of Boundaries**

In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneous annexation of land of at least equal value that may be practicably served by District facilities. The District would be required to obtain the consent of the City of Houston before adding any land in the City of Houston's extraterritorial jurisdiction or corporate limits. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

### **Approval of the Bonds**

The TCEQ approved the issuance of the Bonds by an order dated April 17, 2023 (the "TCEQ Order").

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. Neither the TCEQ nor the Attorney General of Texas 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.

## **Amendments to the Bond Resolution**

The District may, without the consent of or notice to any registered owners, amend the Bond Resolution in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, 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 of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

## **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.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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

The proceeds of the Bonds will be used to finance park and recreational improvements at Little Villa Wetland Park.

The use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$4,389,250 is required for construction costs, and \$820,750 is required for non-construction costs, including \$209,576 of capitalized interest.

### Construction Costs

#### A. Developer Contribution Items

N/A	\$ -
<b>Total Developer Contribution Items</b>	<b>\$ -</b>

#### B. District Items

1. Little Villa Wetland Park Improvements	\$ 3,210,000
2. Contingencies (15% )	481,500
5. Engineering (19% of items 1 and 2)	<u>697,750</u>
<b>Total District Items</b>	<b>\$ 4,389,250</b>
<b>Total Construction Costs</b>	<b>\$ 4,389,250</b>

### Non-Construction Costs

A. Legal Fees	\$ 144,200
B. Fiscal Agent Fees	104,200
C. Capitalized Interest (1 year @ 4.022574%)	209,576
D. Bond Discount (2.998%)	156,183
E. Bond Issuance Expenses	39,165
F. Bond Application Report Costs	72,100
G. Attorney General Fee (0.10%)	5,210
H. TCEQ Bond Issuance Fee (0.25%)	13,025
I. Contingency <sup>(a)</sup>	<u>77,090</u>
<b>Total Non-Construction Costs</b>	<b>\$ 820,750</b>

<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u><u>\$ 5,210,000</u></u></b>
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(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. Contingency represents the difference in the estimated and actual amount of Capitalized Interest and Bond Discount.

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## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of 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. See “THE BONDS - Source of and Security for Payment.”

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “INVESTMENT CONSIDERATIONS - Registered Owners’ Remedies.”

### 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, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on construction activity, particularly short-term interest. 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 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.

**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.

**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 2022 Certified Assessed Valuation of the District is \$590,062,543. After issuance of the Bonds, the Maximum Requirement will be \$1,357,189 (2024) and the Average Requirement will be \$938,451 (2023 through 2042, inclusive). Assuming (1) no increase or decrease from the 2022 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.25 and \$0.17 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 Estimated Assessed Valuation as of March 1, 2023, is \$594,457,384. Based upon the assumptions above, tax rates of \$0.25 and \$0.17 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.”

**Undeveloped Acreage.** . . Approximately 20.8 acres of developable land within the District had not been provided with water, sewer, and drainage facilities as of April 1, 2023. In the opinion of the District’s engineer, the remaining authorized but unissued bonds should be sufficient to fund water, sewer, and drainage facilities to all areas now within the District. See “THE BONDS – Alteration of Boundaries” and “THE DISTRICT – Historical and Current Status of Development.”

### 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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

### 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 of the Bonds 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 District is located approximately 70 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rains, and flooding caused by hurricanes, tropical storms, and other tropical disturbances. 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 has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Si Environmental, LLC (the "Operator"), there were no interruptions of water and sewer service as a result of Hurricane Harvey. The District's system did not sustain any material damage from Hurricane Harvey. The District did receive reports that a number of homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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:

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

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

### **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.

### **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 Resolution.

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 Resolution. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds.

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 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.

### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest 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. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order 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 laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

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

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

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

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

### **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**

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

### **Future Debt**

The District has reserved in the Bond Resolution the right to issue the remaining authorized but unissued bonds approved by the voters. See “THE BONDS – Authority for Issuance.” 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 the TCEQ.

### **Governmental Approval**

As required by law, engineering plans, specifications, and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order dated April 17, 2023 (the “TCEQ Order”). In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

### **Environmental Regulations**

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

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

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

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial, and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, 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.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to

eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The 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 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States.” The rule was published in the *Federal Register* on January 18, 2023 and became effective on March 20, 2023. The adoption of the new rule is currently the subject of ongoing litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

## **Changes in Tax Legislation**

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

## **2023 Legislative Session**

The 88th Regular Legislative Session convened on January 10, 2023, and will conclude on May 29, 2023. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

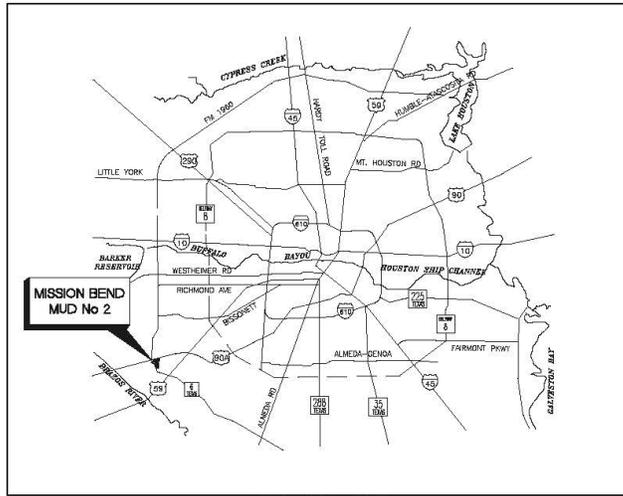
## **Forward-Looking Statements**

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

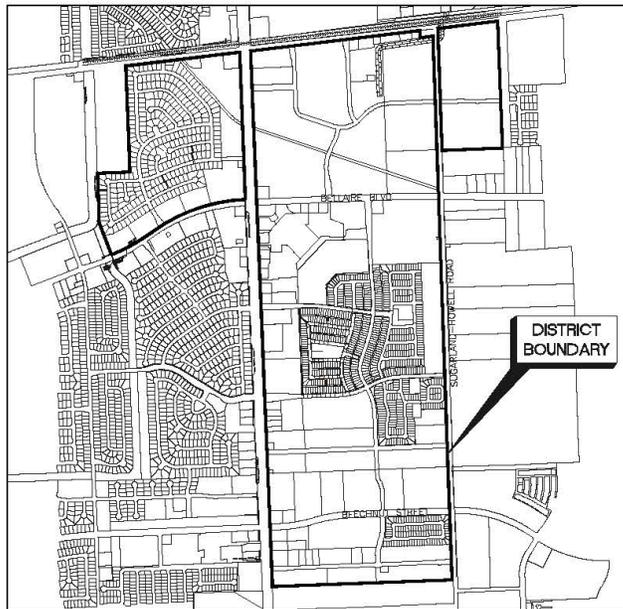
Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

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.

LOCATION MAP



LOCATION MAP  
NTS



VICINITY MAP  
NTS  
KEY MAP PAGE: 528 E

LEGEND:  
 DISTRICT BOUNDARY



11450 COMPAQ CENTER DRIVE  
 SUITE 660  
 HOUSTON, TEXAS 77070  
 (281)350-7027  
 www.baxterwoodman.com  
 TBPELS FIRM No. F-21783

MISSION BEND MUD No 2  
 BOND APPLICATION No 11  
**ATTACHMENT B**  
**VICINITY AND LOCATION MAP**  
 NOVEMBER 2022 222001.30

P:\MEUD02\222001-BAR No. 11 Park Bend\CAD\01\_Civil\_3D\02\_Shts-Other\02\_Exhibits\ATTACHMENT B - VICINITY & LOCATION MAP.dwg, 12/2/2022 8:22:31 AM, Holly Stauffer

## THE DISTRICT

### General

The District was created by order of the Texas Water Commission, now known as the TCEQ, adopted on December 13, 1977, and by a confirmation election held within the District on April 1, 1978, and 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 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

#### *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 in May in each even-numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Judy Villagomez	President	2024	40 Years
Mary Bertrand	Vice President	2024	28 Years
Marlene Weppler	Secretary	2024	18 Years
Susan Land Johnson	Assistant Vice President	2026	20 Years
Leroy Eaglin	Assistant Secretary	2026	11 Months

#### *Consultants*

#### *Tax Assessor/Collector*

Land and improvements in the District are being appraised by the Harris Central Appraisal District ("HCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. Bob Leared Interests currently serves the District in this capacity under contract.

#### *Operator*

The District's water and sewer system is operated by Si Environmental, LLC (the "Operator").

#### *Engineer*

The District's consulting engineer is AEI Engineering, a Baxter & Woodman Company (the "Engineer").

#### *Bookkeeper*

VLB Bookkeeping Services (the "Bookkeeper") acts as bookkeeper for the District.

#### *Auditor*

The District's financial statements for the fiscal year ending September 30, 2022, were audited by McCall, Gibson, Swedlund, Barfoot P.L.L.C., Certified Public Accountants. See "APPENDIX A – Audited Financial Statements" for a copy of the District's financial statements for the fiscal year ended September 30, 2022.

#### *Financial Advisor*

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

#### *Bond Counsel and General Counsel*

The District has engaged Allen Boone Humphries Robinson LLP, ("ABHR") Houston, Texas, as Bond Counsel and General Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

ABHR also acts as General Counsel to the District on matters not related to the issuance of the Bonds and is compensated based on time charges actually incurred.

**Disclosure Counsel**

The District has engaged McCall, Parkhurst & Horton L.L.P., (“MPH”) Houston, Texas, as Disclosure Counsel in connection with the issuance of the District’s Bonds. The fees of Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

**Location**

The District contains approximately 738.70 acres of land that lies entirely within the boundaries of the Alief Independent School District. The District is located in southwestern Harris County, approximately 20 miles west of the City of Houston’s central business district. Access to the District is provided via Westheimer Road, or IH 10 to State Highway 6 (“SH 6”), via West Park Toll Road to Highway 6 or via U.S. 59 (the Southwest Freeway) to Bellaire Boulevard, which bisects the District from east to west. The District is bounded on the north by Alief-Clodine Road, and portions of the District are located on either side of SH 6.

The District lies within the 2,500-acre mixed-use development known as Mission Bend (“Mission Bend”). The District serves land within Mission Bend along with the three (3) other municipal utility districts named in the chart below. The following chart reflects each district’s acreage and active number of water and sewer connections as of February 1, 2023:

District	Acreage	Number of Active Connections			Estimated Population
		Single Family	Multi-Family	Commercial & Other	
Mission Bend Municipal Utility District No. 1	670.00	1,993	1	90	6,354
Mission Bend Municipal Utility District No. 2	738.70	916	11	342	9,270 <sup>(a)</sup>
Chelford City Municipal Utility District	704.90	2,801	-	64	8,403
Chelford One Municipal Utility District	437.60	1,229	1	38	4,467
<b>TOTAL</b>	<b>2,551.20</b>	<b>6,939</b>	<b>13</b>	<b>534</b>	<b>28,494</b>

(a) Based on 3.0 residents per active single-family complete and occupied connection and 2.5 residents per occupied multi-family unit. See “THE DISTRICT –Multi-Family” for current apartment occupancy rates.

**Historical and Current Status of Development**

The District as originally created contained approximately 609.41 acres. On December 6, 1978, 33.11 acres were annexed, on December 28, 1978, an additional 44.73 acres were annexed, on November 25, 1980, an additional 1.51 acres were annexed and on January 20, 1980, an additional 49.95 acres were annexed, bringing the total acreage of the District to approximately 738.70 acres. The District contains approximately 20.8 undeveloped but developable 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.

Single-family development consists of three residential subdivisions including Altamira, Beechnut Meadows, and Terra del Sol, and includes 916 developed single-family lots, all of which have completed homes. The District also contains four large retail stores with a total of approximately 425,646 square feet of space, eight strip shopping centers, three banks, six apartment complexes totaling 2,633 units, a 160,000 square foot office building, an automobile dealership and surrounding auto repair shops, three gas stations, two public storage facilities, twelve fast food establishments, fifteen restaurants, two laundromats, and various other retail and commercial establishments. In addition, the District contains two Alief ISD schools, four religious academy schools, four churches, and a YMCA, all of which are exempt from ad valorem taxation.

The chart on the following page reflects the status of development as of April 1, 2023:

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
<b>A. Single Family Developed with Utility Facilities</b>					
Altamira, Section 1	78.70	301	301	-	-
Beechnut Meadows	11.70	96	96	-	-
Terra del Sol, Section 3	8.80	64	64	-	-
Terra del Sol, Section 4	30.70	213	213	-	-
Terra del Sol, Section 5	20.10	144	144	-	-
Terra del Sol, Section 9	14.60	98	98	-	-
<b>Total Single Family Developed with Utilities</b>	<b>164.60</b>	<b>916</b>	<b>916</b>	<b>-</b>	<b>-</b>
<b>B. Multi-Family</b>	<b>193.00</b>				
<b>C. Commercial/Retail</b>	<b>230.60</b>				
<b>D. Other<sup>(a)</sup></b>	<b>82.50</b>				
<b>E. Remaining Developable</b>	<b>20.80</b>				
<b>F. Undevelopable Acreage</b>					
Streets	13.90				
Detention Ponds	33.30				
<b>Total Undevelopable Acreage</b>	<b>47.20</b>				
<b>Total District Acreage</b>	<b>738.70</b>				

(a) Includes Alief ISD, Community Church, and YMCA, which are exempt from ad valorem taxation.

### Multi-Family

The following chart reflects the current multi-family complexes and occupancy rates within the District as of February 1, 2023:

Complex Name	Number of Units	Approximate % Occupied as of 2/1/2023
El Sol del Rio Apartments	424	100%
Cozumel Apartments	785	99%
The Park at San Marino	384	98%
Sedona Apartments	488	100%
The Life at Westpark Apartments	312	99%
Matthew Ridge Apartments	240	99%
<b>Total</b>	<b>2,633</b>	

### Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect the ability to sell lots and/or property and of any homebuilder to sell completed homes as described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.” If the undeveloped portion of the District is eventually developed, additions to the water, sewer, and drainage system required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. The District’s Engineer estimates that the \$7,530,000 remaining principal amount of voted water, sewer, and drainage bonds which are authorized to be issued should be sufficient to reimburse a developer to provide utility service to the remaining undeveloped but potentially developable acres within the District. See “THE BONDS – Issuance of Additional Debt.” A developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

## THE SYSTEM

### Regulation

The water, wastewater and storm drainage facilities (the “System”), the purchase, acquisition and construction of which will be permanently financed by the District with the proceeds of the new money 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, Harris County Flood Control District, and the City of Houston. 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 US Environmental Protection Agency and the TCEQ. The rules and regulations promulgated by these agencies change periodically and are subject to further development and revision. The TCEQ makes annual inspections of the water and wastewater systems to assure compliance with their rules.

### Water Supply and Distribution

The District is served by two water plants. The first plant includes a 1,500 gallons per minute (“gpm”) well and pump, a 500,000-gallon storage tank, one 20,000-gallon pressure tank, 3 booster pumps with total capacity of 3,060 gpm, and related facilities. The District’s second water plant includes a 2,400 gpm well, 3 booster pumps totaling 3,600 gpm capacity, two 300,000-gallon storage tanks, one 12,000 gallon pressure tank and related facilities. The District is part of the Mission Bend Utility District Integrated Water System which includes the District, Mission Bend Municipal Utility District No. 1, Chelford City Municipal Utility District, and Chelford One Municipal Utility District. An elevated storage tank with 2.0 million gallons storage capacity has been constructed for the benefit of the District, Mission Bend Municipal Utility District No. 1, Chelford City Municipal Utility District, and Chelford One Municipal Utility District. According to the Engineer, the District’s water supply facilities are adequate to serve the District at full development under present land use projections.

### 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 West Harris County Regional Water Authority (“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 of Houston, Texas (“Houston”) 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 a 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 an 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. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. 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**

Permanent wastewater treatment for the District is provided by the Chelford City Regional Wastewater Treatment Facility (the “Regional Facility”), which has a capacity of 11.0 million gallons per day (“gpd”). The District’s share of capacity in the Regional Facility is 2,441,600 gpd which, according to the Engineer, should be sufficient to serve the District at full development under present land use projections.

**Storm Drainage**

The storm drainage system that serves the District consists of curb and guttered streets and storm sewers. The collected storm water runoff is routed through detention and water quality ponds, thence into tributaries of Brays Bayou and ultimately to the Buffalo Bayou.

**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 floodplain, is depicted on these maps. The “100-year floodplain” (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 floodplain 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 floodplain 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 floodplain have flooded multiple times in the last several years.

According to U.S.G.S. topographic maps and Federal Insurance Administration (“FIA”) map, approximately 178 acres of developed land located in Altamira, Section One and Presidio Square are located in the 100-year floodplain, which has increased the cost of constructing taxable improvements in such areas. With the exception of an approximately one-acre tract, all of the land within the 100-year floodplain has been developed with residential and commercial improvements.

**Water, Wastewater and Drainage Operations - Rate and Fee Schedule - Table 1**

The Board of Directors of the District establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the rates and fees for the District’s water and sewer service which were effective as of December 20, 2022:

Water (monthly billings)

*Residential (Single-Family):*

First 10,000 gallons of water used.....	\$5.00 (minimum)
10,001-15,000 gallons of water used.....	\$1.00 per 1,000 gallons
15,001-25,000 gallons of water used.....	\$1.75 per 1,000 gallons
25,001-35,000 gallons of water used.....	\$2.50 per 1,000 gallons
35,001-60,000 gallons of water used.....	\$3.50 per 1,000 gallons
60,001 and up gallons of water used .....	\$5.00 per 1,000 gallons

*All users:*

West Harris County Regional Water Authority pumpage fee .....	\$4.07 per 1,000 gallons
(110% of the per 1,000 gallons pumpage fee assessed to the District by the WHCRWA)	

Sewer (monthly billings)

*Residential (Single-Family):*

Flat Rate .....	\$10.00 (minimum)
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*[The remainder of this page intentionally left blank]*

## Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. This summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "APPENDIX A – Audited Financial Statements" for the fiscal year ended September 30, 2022.

	<b>Fiscal Year End</b>				
	<b>9/30/2022<sup>(a)</sup></b>	<b>9/30/2021<sup>(a)</sup></b>	<b>9/30/2020<sup>(a)</sup></b>	<b>9/30/2019<sup>(a)</sup></b>	<b>9/30/2018<sup>(a)</sup></b>
<b>REVENUES</b>					
Property taxes	\$ 2,279,773	\$ 2,021,881	\$ 1,725,669	\$ 1,593,172	\$ 1,677,272
Sales Tax Receipts	434,952	420,133	365,130	376,340	372,555
Water Service	696,301	749,353	719,583	659,392	645,382
Wastewater Service	748,236	794,659	703,263	542,644	537,147
Regional Water Authority Fee	1,482,729	1,442,625	1,293,972	1,189,568	1,088,031
Penalty and Interest	44,992	22,382	27,511	32,503	24,947
Tap Connection and Inspection Fees	99,611	107,520	118,590	226,023	70,725
Investment Revenues	43,933	8,091	73,712	101,034	60,692
Miscellaneous Revenues	<u>22,048</u>	<u>21,762</u>	<u>20,645</u>	<u>22,391</u>	<u>18,512</u>
<b>TOTAL REVENUES</b>	<b>\$ 5,852,575</b>	<b>\$ 5,588,406</b>	<b>\$ 5,048,075</b>	<b>\$ 4,743,067</b>	<b>\$ 4,495,263</b>
<b>EXPENDITURES</b>					
Architect	\$ 32,271	\$ 30,654	\$ 29,742	\$ 35,628	\$ 37,828
Audit Fee	22,000	21,500	24,350	20,600	22,050
Engineering Fees	36,598	61,349	77,704	64,115	79,094
Legal Fees	148,028	175,671	167,430	106,329	127,309
Financial Advisor Fees	1,760	1,760	1,700	1,530	1,530
Purchased Wastewater Service	675,892	718,083	883,405	548,594	693,522
Bookkeeping	57,684	54,496	50,455	49,151	44,782
Operations and Billing	128,724	124,178	111,292	106,708	115,456
Security Fee	281,413	209,758	187,272	170,423	182,528
Utilities	181,912	161,394	163,996	168,198	189,766
Repair and Maintenance	586,756	330,344	506,272	418,750	334,874
Director Fees, including payroll taxes	41,700	41,701	40,897	36,458	41,591
Dues	3,325	3,110	1,300	1,655	2,235
Insurance	27,572	27,450	24,413	22,928	24,535
Office Supplies and Postage	1,638	527	265	-	258
Travel and Meetings	3,928	1,926	1,863	3,353	5,150
Other	84,105	43,882	95,063	27,232	46,227
Capital Outlay	716,517	685,726	1,618,770	520,841	160,453
Tap Connections	22,728	23,067	27,855	82,022	11,825
Parks and Recreation	239,001	226,210	188,822	228,557	311,135
Laboratory Fees	4,671	5,709	6,779	4,867	5,808
Permit Fees	8,935	8,935	6,519	6,519	6,519
Inspection Fees	41,321	51,661	60,795	45,869	51,025
Regional Water Authority Assessment:	1,656,330	1,558,635	1,394,818	1,135,159	1,083,644
Regulatory Assessment	<u>7,175</u>	<u>7,776</u>	<u>6,911</u>	<u>5,824</u>	<u>6,117</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,011,984</b>	<b>\$ 4,575,502</b>	<b>\$ 5,678,688</b>	<b>\$ 3,811,310</b>	<b>\$ 3,585,261</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 840,591</b>	<b>\$ 1,012,904</b>	<b>\$ (630,613)</b>	<b>\$ 931,757</b>	<b>\$ 910,002</b>
<b>Beginning Fund Balance</b>	<b>\$ 7,537,463</b>	<b>\$ 6,529,132</b>	<b>\$ 7,159,745</b>	<b>\$ 6,227,988</b>	<b>\$ 5,282,461</b>
<b>Plus / (Less): Fund Transfers</b>	<u>13,000</u>	<u>(4,573)</u>	<u>-</u>	<u>-</u>	<u>35,525</u>
<b>Ending Fund Balance</b>	<b>\$ 8,391,054</b>	<b>\$ 7,537,463</b>	<b>\$ 6,529,132</b>	<b>\$ 7,159,745</b>	<b>\$ 6,227,988</b>

(a) Audited.

**DEBT SERVICE REQUIREMENTS – TABLE 3**

**Mission Bend Municipal Utility District No. 2**

**\$5,210,000**

**Unlimited Tax Park Bonds, Series 2023**

**Dated Date: June 1, 2023**

**First Interest Payment Due: March 1, 2024**

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
2023	\$ 830,000	\$ 182,763	\$ 129,256	\$ 1,142,019	\$ -	\$ -	\$ -	\$ -	\$ 1,142,019	
2024	865,000	117,931	117,931	1,100,861	5,000	150,797	100,531	251,328	1,357,189	
2025	895,000	105,843	105,843	1,106,686	5,000	100,406	100,406	200,813	1,312,499	
2026	460,000	92,384	92,384	644,769	40,000	100,281	100,281	200,563	885,331	
2027	470,000	84,909	84,909	639,819	40,000	99,231	99,231	198,463	878,281	
2028	485,000	77,272	77,272	639,544	40,000	98,131	98,131	196,263	875,806	
2029	500,000	69,391	69,391	638,781	45,000	97,031	97,031	194,063	877,844	
2030	515,000	61,266	61,266	637,531	50,000	95,794	95,794	191,588	879,119	
2031	530,000	53,219	53,219	636,438	50,000	94,794	94,794	189,588	876,025	
2032	545,000	44,938	44,938	634,875	50,000	93,794	93,794	187,588	872,463	
2033	560,000	36,763	36,763	633,525	55,000	92,794	92,794	185,588	874,113	
2034	580,000	28,363	28,363	636,725	55,000	91,694	91,694	183,388	875,113	
2035	595,000	19,663	19,663	634,325	60,000	90,594	90,594	181,188	875,513	
2036	615,000	9,994	9,994	634,988	65,000	89,394	89,394	178,788	878,775	
2037	-	-	-	-	675,000	88,094	88,094	176,188	851,188	851,188
2038	-	-	-	-	725,000	76,281	76,281	152,563	877,563	877,563
2039	-	-	-	-	750,000	63,594	63,594	127,188	877,188	877,188
2040	-	-	-	-	800,000	50,000	50,000	100,000	900,000	900,000
2041	-	-	-	-	825,000	34,000	34,000	68,000	893,000	893,000
2042	-	-	-	-	875,000	17,500	17,500	35,000	910,000	910,000
	<u>\$ 8,445,000</u>	<u>\$ 984,696</u>	<u>\$ 931,189</u>	<u>\$ 10,360,885</u>	<u>\$ 5,210,000</u>	<u>\$ 1,624,203</u>	<u>\$ 1,573,938</u>	<u>\$ 3,198,141</u>	<u>\$ 8,408,141</u>	<u>\$ 18,769,026</u>

**FINANCIAL STATEMENT  
(Unaudited)**

**Assessed Value – Table 4**

2022 Certified Assessed Valuation		\$ 590,062,543	(a)
Estimated Assessed Valuation as of March 1, 2023		\$ 594,457,384	(b)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 13,655,000	(c)
Ratio of Gross Debt to 2022 Certified Assessed Valuation			2.31%
Ratio of Gross Debt to Estimated Assessed Valuation as of March 1, 2023			2.30%
2022 Tax Rate			
	Debt Service	\$ 0.1945	
	Maintenance	<u>0.3618</u>	
	<b>Total 2022 Tax Rate</b>	<u>\$ 0.5563</u>	(d)
Debt Service Fund Balance (as of April 18, 2023)		\$ 954,957	(e)

Area of District: 738.70 acres  
Estimated Population as of February 1, 2023: 9,270<sup>(f)</sup>

- (a) The certified assessed valuation as of January 1, 2022, as provided by HCAD. See “TAXING PROCEDURES.”
- (b) The estimated assessed valuation as of March 1, 2023, as provided by HCAD, is included solely for purposes of illustration. Taxes are levied on value as certified by HCAD as of January 1 of each year. Consequently, this estimate will not be used to produce the tax revenue for the District. See “TAXING PROCEDURES.”
- (c) Includes the Bonds.
- (d) The District levied a 2022 tax rate of \$0.5563. See “TAXING PROCEDURES.”
- (e) Unaudited as of April 18, 2023. Does not include twelve months’ capitalized interest (\$209,576) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.
- (f) Based on 3.0 residents per active single-family complete and occupied connection and 2.5 residents per occupied apartment unit. Of the 2,633 total apartment units, 2,616 units were occupied as of February 1, 2023. See “THE DISTRICT - Multi-Family” for current apartment occupancy rates.

**Unlimited Tax Bonds Authorized but Unissued - Table 5**

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
04/04/1981	Water, Sewer, and Drainage	\$20,450,000	\$20,450,000	-
01/09/1982	Water, Sewer, and Drainage	14,035,000	14,035,000	-
11/07/2006	Water, Sewer, and Drainage	<u>11,135,000</u>	<u>3,605,000</u>	<u>7,530,000</u>
Total		<u>\$45,620,000</u>	<u>\$38,090,000</u>	<u>\$7,530,000</u>
Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
04/03/1993	Refunding	<u>\$30,000,000</u>	<u>\$5,609,765.61</u>	<u>\$24,390,234.39</u>
Total		<u>\$30,000,000</u>	<u>\$5,609,765.61</u>	<u>\$24,390,234.39</u>
Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/07/2006	Parks & Recreational Facilities	<u>\$8,000,000</u>	<u>\$8,000,000</u>	-
Total		<u>\$8,000,000</u>	<u>\$8,000,000</u>	-

- (a) Includes the Bonds.

**Outstanding Bonds - Table 6**

<b>Dated Date</b>	<b>Purpose</b>	<b>Original Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding after the Issuance of the Bonds</b>
<b>A. New Money Bonds</b>				
06/01/82	Water, Sewer, and Drainage	1982	\$ 5,370,000	\$ -
06/01/83	Water, Sewer, and Drainage	1983	4,425,000	-
06/01/85	Water, Sewer, and Drainage	1985	10,750,000	-
08/01/98	Water, Sewer, and Drainage	1998	1,820,000	-
02/01/04	Water, Sewer, and Drainage	2004	4,455,000	-
03/01/08	Water, Sewer, and Drainage	2008	1,520,000	-
12/01/11	Water, Sewer, and Drainage	2011	1,740,000	1,255,000
08/22/18	Water, Sewer, and Drainage	2018	2,140,000	1,320,000
05/17/22	Water, Sewer, and Drainage	2022	<u>5,870,000</u>	<u>5,870,000</u>
<b>Subtotal New Money Bonds</b>			<b>\$ 38,090,000</b>	<b>\$ 8,445,000</b>
<b>B. Refunding Bonds</b>				
04/01/89	Refunding	1989	\$ 3,800,000	\$ -
07/01/93	Refunding	1993	10,775,887	-
09/01/97	Refunding	1997	4,265,979	-
12/01/02	Refunding	2002	8,480,000	-
03/01/12	Refunding	2012	<u>3,230,000</u>	<u>-</u>
<b>Subtotal Refunding Bonds</b>			<b>\$ 30,551,866</b>	<b>\$ -</b>
<b>C. Park and Recreational Bonds</b>				
07/01/10	Parks and Recreation	2010	\$ 2,790,000	\$ -
06/01/23	Parks and Recreation	2023	<u>5,210,000</u>	<u>5,210,000</u> <sup>(a)</sup>
<b>Subtotal Park and Recreational Bonds</b>			<b>\$ 8,000,000</b>	<b>\$ 5,210,000</b>
<b>Total</b>			<b><u>\$ 76,641,866</u></b>	<b><u>\$ 13,655,000</u></b>

(a) The Bonds.

**Cash and Investment Balances - Table 7<sup>(a)</sup>**

General Fund	\$ 8,019,048
Debt Service Fund	954,957 <sup>(b)</sup>
Capital Projects Fund	5,488,362

(a) Unaudited as of April 18, 2023.

(b) Does not include twelve months of capitalized interest (\$209,576) to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.

## District Investment Policy

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

## Current Investments - Table 8

The District, as of April 18, 2023, was invested in TexPool. 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. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. 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.

		<b>Investment Value as of April 18, 2023</b>
Cash	\$	87,930
Money Market		353,864
TexPool		14,020,573
<b>Total Investments</b>	<b>\$</b>	<b>14,462,367</b>

## 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 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 Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

*[The chart appears on the following page]*

Taxing Body	Total Tax Supported Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Alief Independent School District	\$ 332,107,000	4/30/2023	3.330%	\$ 11,059,163
Harris County	1,770,442,125	4/30/2023	0.100%	1,770,442
Harris County Department of Education	20,185,000	4/30/2023	0.100%	20,185
Harris County Flood Control District	797,615,000	4/30/2023	0.100%	797,615
Harris County Hospital District	70,970,000	4/30/2023	0.100%	70,970
Harris-Fort Bend Counties ESD #100	-	4/30/2023	0.100%	-
Harris County Toll Road <sup>(a)</sup>	-	4/30/2023	0.000%	-
Houton County Community College	446,665,000	4/30/2023	0.220%	982,663
Port of Houston Authority	445,749,397	4/30/2023	0.100%	445,749
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 15,146,788</b>
The District <sup>(b)</sup>	\$ 13,655,000	6/1/2023	100.00%	\$ 13,655,000
<b>TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT</b>				<b>\$ 28,801,788</b>
<b>Ratio of Direct and Estimated Overlapping Debt to 2022 Certified Assessed Valuation</b>				<b>4.88%</b>
<b>Ratio of Direct and Estimated Overlapping Debt to Estimated Assessed Valuation as of March 1, 2023</b>				<b>4.85%</b>

#### Overlapping Taxes for 2022

Overlapping Entity	2022 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill <sup>(a)</sup>
	Harris County	Harris County
Alief Independent School District	\$1.161100	\$ 2,265
Harris County	0.343730	671
Harris County Department of Education	0.004900	10
Harris County Flood Control District	0.030550	60
Harris County Hospital District	0.148310	289
Harris-Fort Bend Counties ESD #100	0.081082	158
Houston Community College System	0.095569	186
Port of Houston Authority	0.007990	16
The District	0.556300	1,085
<b>Total</b>	<b><u>\$2.429531</u></b>	<b><u>\$ 4,740</u></b>

(a) Based upon the 2022 average single-family home value of \$195,098 as provided by HCAD.

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**TAX DATA**

**Classification of Assessed Valuation - Table 9**

Type Property	2022 <sup>(a)</sup>		2021 <sup>(a)</sup>		2020 <sup>(a)</sup>	
	Amount	%	Amount	%	Amount	%
Land	\$ 184,811,574	31.32%	\$ 166,803,227	31.77%	\$ 162,845,117	33.32%
Improvement	552,226,461	93.59%	454,137,103	86.50%	416,494,359	85.23%
Personal Property	33,797,019	5.73%	30,662,396	5.84%	30,450,519	6.23%
Exempt	(180,772,511)	-30.64%	(126,566,734)	-24.11%	(121,115,496)	-24.78%
<b>Total</b>	<b>\$590,062,543</b>	<b>100.00%</b>	<b>\$525,035,992</b>	<b>100.00%</b>	<b>\$488,674,499</b>	<b>100.00%</b>

(a) Provided by Tax Assessor/Collector.

**Tax Collections - Table 10**

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such a summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Year	Assessed Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2011	249,913,310	0.8500	2,124,263	2,118,157	99.71%	2,118,157	99.71%	9/30/2012 (b)
2012	250,515,639	0.8500	2,129,383	2,124,210	99.76%	2,124,210	99.76%	9/30/2013 (b)
2013	258,920,356	0.8500	2,200,823	2,196,173	99.79%	2,196,173	99.79%	9/30/2014 (b)
2014	276,065,905	0.8400	2,318,954	2,314,091	99.79%	2,314,091	99.79%	9/30/2015 (b)
2015	322,007,059	0.7970	2,566,396	2,562,155	99.83%	2,562,155	99.83%	9/30/2016 (b)
2016	360,534,939	0.7500	2,704,014	2,699,983	99.85%	2,699,983	99.85%	9/30/2017 (b)
2017	397,790,692	0.6685	2,659,231	2,652,128	99.73%	2,652,128	99.73%	9/30/2018 (b)
2018	416,739,291	0.6285	2,619,207	2,610,325	99.66%	2,610,325	99.66%	9/30/2019 (b)
2019	447,675,097	0.6250	2,797,971	2,787,838	99.64%	2,787,838	99.64%	9/30/2020 (b)
2020	488,674,499	0.6250	3,054,127	3,038,579	99.49%	3,038,579	99.49%	9/30/2021 (b)
2021	525,035,992	0.6015	3,158,003	3,133,388	99.22%	3,133,388	99.22%	9/30/2022 (b)
2022	590,062,543	0.5563	3,282,518	3,148,114	95.91%	3,148,114	95.91%	9/30/2023 (c)

- (a) Assessed Valuation reflects the adjusted value on September 30th of each respective year as included in the audited financial statement.
- (b) Audited
- (c) Unaudited as of March 31, 2023. Taxes were due with no penalty by January 31, 2023. In the process of collection.

**District Tax Rates - Table 11**

	Tax Rates per \$100 Assessed Valuation					
	2022	2021	2020	2019	2018	2017
<b>Debt Service</b>	\$ 0.1945	\$ 0.1590	\$ 0.2210	\$ 0.2365	\$ 0.2445	\$ 0.2480
<b>Maintenance</b>	0.3618	0.4425	0.4040	0.3885	0.3840	0.4205
<b>Total</b>	<b>\$ 0.5563</b>	<b>\$ 0.6015</b>	<b>\$ 0.6250</b>	<b>\$ 0.6250</b>	<b>\$ 0.6285</b>	<b>\$ 0.6685</b>

**Tax Rate Limitation**

The District's tax rate for debt service on the Bonds is legally unlimited as to rate and amount. As shown above under "District Tax Rates," the District levied a 2022 debt service tax of \$0.1945/\$100 assessed valuation.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing, and operating the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 7, 2006, voters within the District authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation. As shown above under “District Tax Rates,” the District levied a 2022 maintenance and operation tax of \$0.3618/\$100 assessed valuation. See “THE DISTRICT – General.”

**Principal Taxpayers - Table 12**

The following list of principal taxpayers was provided by HCAD based on the 2022, 2021, and 2020 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Name	Type of Property	2022 <sup>(a)</sup>	2021 <sup>(a)</sup>	2020 <sup>(a)</sup>
Rama Elite LLC Et Al	Apartments	\$ 40,931,803	\$ 34,500,000	\$ 34,155,000
West Houston Apartments LLC	Apartments	27,661,128	24,000,000	22,325,000
Plaza on Westheimer	Commercial	24,199,031	21,980,931	23,250,000
JSN Apartments LLC	Apartments	22,306,831	19,100,000	19,100,000
LF2 Presidio LP	Grocery Store	18,547,478	18,546,642	16,700,000
JMC Properties LP	Apartments	12,947,236	8,500,000	(b)
Everspring Estates LLC	Assisted Living	12,537,760	10,196,796	8,300,000
TRC Matthew Ridge LLC	Apartments	12,241,498	22,573,976	9,200,189
SBC Communication	Telephone Utility	9,392,840	7,944,293	8,591,414
PMW Center One LLC	Land and Improvements	8,243,301	(b)	(b)
Houston Housing Authority	Apartments	(b)	15,727,295	15,356,531
Saga Development LLC	Real Estate	(b)	(b)	7,400,000
<b>Total</b>		<u>\$ 189,008,906</u>	<u>\$ 183,069,933</u>	<u>\$ 164,378,134</u>
Percent of Certified Assessed Valuation		32.03%	34.87%	33.64%

- (d) Assessed Valuation reflects the adjusted value on September 30th of each respective year as included in the audited financial statement.
- (e) Not a principal taxpayer in 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 2022 Certified Assessed Valuation and the Estimated Assessed Valuation as of March 1, 2023, and utilize tax rates adequate to service the District’s total debt service requirements, including the Bonds. No available debt service 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 (2023 through 2042) .....	\$938,451
\$0.17 Tax Rate on 2022 Certified Assessed Valuation of \$590,062,543 @ 95% collections produce .....	\$952,951
\$0.17 Tax Rate on Estimated Assessed Valuation as of March 1, 2023, of \$594,457,384 @ 95% collections produce .....	\$960,049
Maximum Requirement on the Bonds and the Outstanding Bonds (2024) .....	\$1,357,189
\$0.25 Tax Rate on 2022 Certified Assessed Valuation of \$590,062,543 @ 95% collections produce .....	\$1,401,399
\$0.25 Tax Rate on Estimated Assessed Valuation as of March 1, 2023, of \$594,457,384 @ 95% collections produce .....	\$1,411,836

**Debt Service Fund Management Index**

Audited Debt Service Fund Balance as of 09/30/2022 <sup>(a)</sup> .....	\$299,074
2022 Debt Service Tax Levy @ 95% collections produce <sup>(b)</sup> .....	1,090,288
Capitalized Interest included in the proceeds of the Bonds.....	<u>209,576</u>
Total Available for Debt Service.....	\$1,598,938
Less: Debt Service Requirements for year ending 12/31/23 <sup>(c)</sup> .....	<u>(1,142,019)</u>
Projected Bond Fund Balance as of 9/30/23.....	\$456,919

- (a) Audited Debt Service Fund balance as of September 30, 2022. Represents Debt Service Fund balance after all 2022 debt service requirements have been paid and before any 2022 debt service taxes have been collected.
- (b) The District levied a 2022 debt service tax rate of \$0.1945, collection of which was due with no penalty by January 31, 2023.
- (c) Interest payments on the Bonds begin March 1, 2024.

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, its other remaining 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 Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS - Source of and Security for Payment.” Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See “TAX DATA - Tax Rate Limitation.”

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

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. HCAD has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the “Appraisal Review Board”).

**Property Subject to Taxation by the District**

**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; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. Partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Additionally, a disabled veteran who receives 100% disability compensation due to a service- connected disability and a rating of 100% disabled or of individual employability is entitled to an exemption from taxation of the total appraised value of their residence homestead, effective for the tax years beginning on or after January 1, 2009. Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old of \$35,000 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. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

**Residential Homestead Exemptions** . . . The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 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 assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption. For the 2023 tax year, the District has granted a \$65,000 exemption for persons over 65 years of age and older and for disabled persons.

**Tax Abatement** . . . Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the City (after annexation of the 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.

**Freeport Goods and Goods-in-Transit Exemption** . . . A “Freeport Exemption” applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

**Temporary Exemption for Qualified Property Damaged by a Disaster** . . . The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by 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.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required 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.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

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

within the District, it cannot be used for establishing a tax rate within the District until such time as HCAD chooses to formally include such values on its appraisal roll.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers, and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in state district court. In such an event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against HCAD to compel compliance with the Property Tax Code.

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

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

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

### **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, plus any unused increment rates, as calculated and described in Section 26.013 of the Texas Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies

within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 these 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 Developing Districts is the current year’s debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

**The District** . . . A determination as to a district’s status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District is a Developed District for purposes of the 2022 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 2022.” 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. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “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 services in the year following a disaster.

## **LEGAL MATTERS**

### **Legal Opinions**

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

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS” (except for information under the subheadings “Payment Record” and “DTC Redemption Provision”), “THE DISTRICT – General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for information under the subheading “Compliance with Prior Undertakings”) solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not independently verified any of the factual information contained in this

OFFICIAL STATEMENT nor has conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

The 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 Initial 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**

#### **Opinion**

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

The Internal Revenue Code of 1986 (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The District covenants in the Bond Resolution that they will comply with these requirements.

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

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

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

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

profits tax” on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

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

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

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

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

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

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

### **Qualified Tax-Exempt Obligations**

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

The District has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2023.

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

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the Registered Owners and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”), or any successor to its functions as a repository, through its Electronic Municipal Market Access (“EMMA”) system.

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB through its EMMA system. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “THE SYSTEM – Water, Wastewater and Drainage Operations – Rate and Fee Schedule – Table 1,” “THE SYSTEM – Operating Revenues and Expenses Statement – Table 2,” “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5,” “FINANCIAL STATEMENT – Outstanding Bonds – Table 6,” “FINANCIAL STATEMENT – Cash and Investment Balances – Table 7,” “FINANCIAL STATEMENT – Current Investments – Table 8,” “TAX DATA – Classification of Assessed Valuation – Table 9,” “TAX DATA – Tax Collections – Table 10,” “TAX DATA – District Tax Rates – Table 11,” “TAX DATA – Principal Taxpayers – Table 12,” and in APPENDIX A (the Audit). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2023.

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 the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution 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 September 30. Accordingly, it must provide updated information by March 31 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the EMMA of the change.

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect beneficial owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

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

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

### **Limitations and Amendments**

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

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

### **Compliance with Prior Undertakings**

During the last five years, the District has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

### **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 to 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 District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "THE DISTRICT." The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the 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" – AEI Engineering, a Baxter & Woodman Company ("Engineer"); "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Harris Central Appraisal District; "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "THE SYSTEM – Water, Wastewater and Drainage Operations" - Records; "THE DISTRICT - Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS – TABLE 3" - Financial Advisor; "THE BONDS" (except "Payment Record"), "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" - Allen Boone Humphries Robinson LLP

## **Consultants**

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

**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 the Engineer, and has been included in reliance upon the authority of said firm in the field of civil engineering.

**Auditor:** The District's financial statements for fiscal year ending September 30, 2022, were audited by McCall, Gibson, Swedlund, Barfoot P.L.L.C., Certified Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2022, have been included as APPENDIX A in reliance upon such firm's authority in the field of accounting.

**Tax Assessor/Collector.** Land and improvements in the District are being appraised by HCAD. The Tax Assessor/Collector is appointed by the Board of Directors of the District. Bob Leared Interests currently serves the District in this capacity under contract.

## **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 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 as described in the Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Delivery." 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 to 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 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. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

## **Annual Audits**

Under Texas 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 so long as the District has bond outstanding. 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 prescribed charges.

This Official Statement was approved by the Board of Directors of the District, as of the date shown on the first page hereof.

/s/ Judy Villagomez  
President, Board of Directors  
Mission Bend Municipal Utility District No. 2

/s/ Leroy Eaglin  
Assistant Secretary, Board of Directors  
Mission Bend Municipal Utility District No. 2

## 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 has been excerpted from the audited financial statements of the District for the fiscal year ended September 30, 2022.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2022**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Mission Bend Municipal  
Utility District No. 2  
Harris County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Mission Bend Municipal Utility District No. 2 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

### **Required Supplementary Information**

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

Board of Directors  
Mission Bend Municipal  
Utility District No. 2

**Supplementary Information**

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

January 17, 2023

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis of Mission Bend Municipal Utility District No. 2’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$21,248,322 as of September 30, 2022.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings and equipment as well as water, wastewater and drainage facilities, park facilities and trails, less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 14,804,599	\$ 8,706,538	\$ 6,098,061
Capital Assets (Net of Accumulated Depreciation)	<u>15,746,416</u>	<u>15,271,480</u>	<u>474,936</u>
Total Assets	<u>\$ 30,551,015</u>	<u>\$ 23,978,018</u>	<u>\$ 6,572,997</u>
Long-Term Liabilities	\$ 7,671,452	\$ 2,547,779	\$ (5,123,673)
Other Liabilities	<u>1,631,241</u>	<u>1,315,092</u>	<u>(316,149)</u>
Total Liabilities	<u>\$ 9,302,693</u>	<u>\$ 3,862,871</u>	<u>\$ (5,439,822)</u>
Net Position:			
Net Investment in Capital Assets	\$ 12,254,768	\$ 11,977,982	\$ 276,786
Restricted	536,730	532,956	3,774
Unrestricted	<u>8,456,824</u>	<u>7,604,209</u>	<u>852,615</u>
Total Net Position	<u>\$ 21,248,322</u>	<u>\$ 20,115,147</u>	<u>\$ 1,133,175</u>

The following table provides a summary of the District's operations for the years ended September 30, 2022, and September 30, 2021.

	<u>Summary of Changes in the Statement of Activities</u>		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,109,455	\$ 3,117,822	\$ (8,367)
Sales Tax Receipts	434,952	420,133	14,819
Charges for Services	3,114,962	3,159,036	(44,074)
Other Revenues	<u>104,809</u>	<u>31,017</u>	<u>73,792</u>
Total Revenues	<u>\$ 6,764,178</u>	<u>\$ 6,728,008</u>	<u>\$ 36,170</u>
Expenses for Services	<u>5,631,003</u>	<u>4,604,516</u>	<u>(1,026,487)</u>
Change in Net Position	\$ 1,133,175	\$ 2,123,492	\$ (990,317)
Net Position, Beginning of Year	<u>20,115,147</u>	<u>17,991,655</u>	<u>2,123,492</u>
Net Position, End of Year	<u>\$ 21,248,322</u>	<u>\$ 20,115,147</u>	<u>\$ 1,133,175</u>

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

The District's combined fund balances as of September 30, 2022 were \$13,682,773, an increase of \$5,860,194 from the prior year.

The General Fund fund balance increased by \$836,432, primarily due to service and tax revenues exceeding operating expenditures and capital improvements.

The Debt Service Fund fund balance increased by \$63,239, primarily due to the structure of the District's outstanding long-term debt and the sale of Series 2022 bonds.

The Capital Projects Fund fund balance increased by \$4,960,523, primarily due to proceeds from the sale of the Series 2022 bonds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did amend the budget during the current fiscal year to decrease various estimated revenues, purchased wastewater services expenditures and capital outlay expenditures and to increase estimated repairs and maintenance and regional water authority assessment expenditures. Actual revenues were \$108,623 more than budgeted revenues primarily due to higher than anticipated sales tax revenues and charges for services than expected. Actual expenditures were \$352,278 less than budgeted expenditures primarily due to lower than expected costs for capital outlay and repair and maintenance costs.

**CAPITAL ASSETS**

Capital assets as of September 30, 2022, total \$15,746,416 (net of accumulated depreciation) and include land, buildings and equipment as well as water, wastewater and drainage systems, park facilities and trails.

Significant capital asset events during the current fiscal year included the following:

**Completed Projects/Purchases:**

- Design and construction of Magnolia Park and Greenbelt Pedestrian Bridge Replacement and Little Villa Wetland Improvements

**Construction in Progress:**

- Design and construction of Little Villa Park screen fence
- Design and construction of Greenbelt Trail Improvements
- Design of Greenbelt Trail Master Plan
- Design of Magnolia Park improvements
- Design and construction of water plant improvement project
- Design of water plant no. 2 GST recoating

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**CAPITAL ASSETS (Continued)**

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,167,886	\$ 1,167,886	\$
Construction in Progress	1,142,278	1,218,478	(76,200)
Capital Assets, Net of Accumulated Depreciation:			
Amenities	3,178,945	2,355,464	823,481
Water System	3,467,100	3,679,339	(212,239)
Wastewater System	2,483,044	2,616,576	(133,532)
Drainage System	1,917,091	1,971,228	(54,137)
Investment in Wastewater Treatment Plant	2,390,072	2,262,509	127,563
Total Net Capital Assets	\$ 15,746,416	\$ 15,271,480	\$ 474,936

Additional information on the District's capital assets can be found in Note 6.

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total of long-term debt payable of \$8,445,000. The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Bond Debt Payable, October 1, 2021	\$ 3,370,000
Add: Bond Sale - Series 2022	5,870,000
Less: Bond Principal Paid	795,000
Bond Debt Payable, September 30, 2022	\$ 8,445,000

The Series 2017, 2018 and 2022 bonds carry an underlying rating of "A2." The Series 2022 bonds carry and insured rating of "AA" by virtue of bond insurance issued by Build American Mutual Assurance Company.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mission Bend Municipal Utility District No. 2, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 115,916	\$ 133,615
Investments	6,645,676	320,688
Receivables:		
Property Taxes	82,929	92,435
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Doubtful Accounts of \$5,000)	386,037	
Due from Other Funds	398,606	
Prepaid Costs	10,000	
Due from Other Governments	156,800	
Advance for Integrated Water Supply Operations	341,197	
Advance for Regional Wastewater Treatment Plant Operations	917,780	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 9,054,941</b>	<b>\$ 546,738</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,080	\$ 250,611	\$	\$ 250,611
5,380,118	12,346,482		12,346,482
	175,364		175,364
		220,328	220,328
	386,037		386,037
	398,606	(398,606)	
	10,000		10,000
	156,800		156,800
	341,197		341,197
	917,780		917,780
		1,167,886	1,167,886
		1,142,278	1,142,278
		13,436,252	13,436,252
\$ 5,381,198	\$ 14,982,877	\$ 15,568,138	\$ 30,551,015

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 595,507	\$
Accrued Interest Payable		
Due to Other Funds		27,212
Due to Taxpayers		128,017
Security Deposits	2,610	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 598,117	\$ 155,229
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 82,929	\$ 92,435
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 10,000	\$
Advance for Integrated Water Supply Operations	341,197	
Advance for Wastewater Treatment Plant Operations	917,780	
Restricted for Authorized Construction		
Restricted for Debt Service		299,074
Unassigned	7,104,918	
<b>TOTAL FUND BALANCES</b>	\$ 8,373,895	\$ 299,074
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,054,941</b>	<b>\$ 546,738</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 595,507	\$	\$ 595,507
		75,107	75,107
371,394	398,606	(398,606)	
	128,017		128,017
	2,610		2,610
		830,000	830,000
		7,671,452	7,671,452
<u>\$ 371,394</u>	<u>\$ 1,124,740</u>	<u>\$ 8,177,953</u>	<u>\$ 9,302,693</u>
<u>\$ - 0 -</u>	<u>\$ 175,364</u>	<u>\$ (175,364)</u>	<u>\$ - 0 -</u>
\$	\$ 10,000	\$ (10,000)	\$
	341,197	(341,197)	
	917,780	(917,780)	
5,009,804	5,009,804	(5,009,804)	
	299,074	(299,074)	
	7,104,918	(7,104,918)	
<u>\$ 5,009,804</u>	<u>\$ 13,682,773</u>	<u>\$ (13,682,773)</u>	<u>\$ - 0 -</u>
<u>\$ 5,381,198</u>	<u>\$ 14,982,877</u>		
		\$ 12,254,768	\$ 12,254,768
		536,730	536,730
		8,456,824	8,456,824
		<u>\$ 21,248,322</u>	<u>\$ 21,248,322</u>

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds \$ 13,682,773

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

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 15,746,416

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2021 and prior tax levies became part of recognized revenues in the governmental activities of the District. 395,692

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (75,107)	
Bonds Payable Within One Year	(830,000)	
Bonds Payable After One Year	<u>(7,671,452)</u>	<u>(8,576,559)</u>

Total Net Position - Governmental Activities \$ 21,248,322

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

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**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 2,279,773	\$ 812,349
Sales Tax Receipts	434,952	
Water Service	696,301	
Wastewater Service	748,236	
Regional Water Authority Fees	1,482,729	
Penalty and Interest	44,992	36,483
Tap Connection and Inspection Fees	99,611	
Investment Revenues	43,933	5,456
Miscellaneous Revenues	22,048	
	<u>\$ 5,852,575</u>	<u>\$ 854,288</u>
<b>TOTAL REVENUES</b>		
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 240,657	\$ 10,361
Contracted Services	467,821	59,409
Purchased Wastewater Service	681,289	
Utilities	193,674	
Repairs and Maintenance	586,756	
Regional Water Authority Assessments	1,656,330	
Depreciation		
Parks and Recreation	239,001	
Other	213,473	7,796
Capital Outlay	716,517	
Debt Service:		
Bond Principal		795,000
Bond Interest		94,583
Bond Issuance Costs	33,625	
	<u>\$ 5,029,143</u>	<u>\$ 967,149</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>		
<b>EXPENDITURES</b>	<u>\$ 823,432</u>	<u>\$ (112,861)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ 13,000	\$
Long-Term Debt Issued		176,100
Bond Premium		
	<u>\$ 13,000</u>	<u>\$ 176,100</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		
<b>NET CHANGE IN FUND BALANCES</b>	\$ 836,432	\$ 63,239
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2021</b>	<u>7,537,463</u>	<u>235,835</u>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2022</b>	<u>\$ 8,373,895</u>	<u>\$ 299,074</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,092,122	\$ 17,333	\$ 3,109,455
	434,952		434,952
	696,301		696,301
	748,236		748,236
	1,482,729		1,482,729
	81,475	6,610	88,085
	99,611		99,611
33,372	82,761		82,761
	22,048		22,048
\$ 33,372	\$ 6,740,235	\$ 23,943	\$ 6,764,178
\$	\$ 251,018	\$	\$ 251,018
	527,230		527,230
	681,289	(192,265)	489,024
	193,674		193,674
	586,756		586,756
	1,656,330		1,656,330
		805,240	805,240
	239,001		239,001
160	221,429		221,429
371,394	1,087,911	(1,087,911)	
	795,000	(795,000)	
	94,583	72,111	166,694
460,982	494,607		494,607
\$ 832,536	\$ 6,828,828	\$ (1,197,825)	\$ 5,631,003
\$ (799,164)	\$ (88,593)	\$ 88,593	\$ - 0 -
\$ (13,000)	\$	\$	\$
5,693,900	5,870,000	(5,870,000)	
78,787	78,787	(78,787)	
\$ 5,759,687	\$ 5,948,787	\$ (5,948,787)	\$ - 0 -
\$ 4,960,523	\$ 5,860,194	\$ (5,860,194)	\$
		1,133,175	1,133,175
49,281	7,822,579	12,292,568	20,115,147
\$ 5,009,804	\$ 13,682,773	\$ 7,565,549	\$ 21,248,322

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balances - Governmental Funds	\$	5,860,194
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		17,333
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.		6,610
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(805,240)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.		1,280,176
Governmental funds report bond premiums as other financing sources in the year received. However, in the government-wide financial statements, bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(78,787)
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.		795,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.		(72,111)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements.		<u>(5,870,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,133,175</u></u>

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1. CREATION OF DISTRICT**

Mission Bend Municipal Utility District No. 2, located in Harris County, Texas (“the District”), was created by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective December 13, 1977. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water service, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on December 21, 1977, and the first bonds were sold on June 16, 1982.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District has entered into a joint contract with Chelford City Municipal Utility District for wastewater disposal. Oversight responsibility of the wastewater disposal plant is by Chelford City Municipal Utility District. Additional disclosure concerning this joint contract is provided in Note 8.

The District has also entered into a joint contract with three other districts for the construction and operation of an elevated storage tank. The District exercises responsibility for operating the facility. Additional disclosure is provided in Note 10.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

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

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

Basis of Accounting (Continued)

after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs, are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$10,000 or more and an estimated useful life of two years following the date of acquisition. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

Capital Assets (Continued)

	Years
Jogging Trails	15
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20
Investment in Wastewater Treatment Plant	40

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

Measurement Focus (Continued)

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

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

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

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

Accounting Estimates

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 3. LONG-TERM DEBT**

	Series 2011	Series 2018
Amount Outstanding – September 30, 2022	\$ 1,255,000	\$ 1,320,000
Interest Rates	3.50% - 3.80%	2.00%-2.25%
Maturity Dates – Beginning/Ending	September 1, 2023/2025	September 1, 2023/2025
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2018*	Non-Callable
		Series 2022
Amount Outstanding – September 30, 2022		\$ 5,870,000
Interest Rates		3.00%-3.25%
Maturity Dates – Beginning/Ending		September 1, 2023/2036
Interest Payment Dates		March 1/September 1
Callable Dates		September 1, 2028*

\* At the option of the District, in whole or from time to time in part, or any date thereafter at par plus accrued interest to the date fixed for redemption.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2022:

	October 1, 2021	Additions	Retirements	September 30, 2022
Bonds Payable	\$ 3,370,000	\$ 5,870,000	\$ 795,000	\$ 8,445,000
Unamortized Discounts	(27,221)		(6,938)	(20,283)
Unamortized Premiums		78,787	2,052	76,735
Bonds Payable, Net	\$ 3,342,779	\$ 5,948,787	\$ 790,114	\$ 8,501,452
		Amount Due Within One Year		\$ 830,000
		Amount Due After One Year		7,671,452
		Bonds Payable, Net		\$ 8,501,452

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of September 30, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 830,000	\$ 312,019	\$ 1,142,019
2024	865,000	235,862	1,100,862
2025	895,000	211,687	1,106,687
2026	460,000	184,769	644,769
2027	470,000	169,819	639,819
2028-2032	2,575,000	612,169	3,187,169
2033-2036	2,350,000	189,563	2,539,563
	<u>\$ 8,445,000</u>	<u>\$ 1,915,888</u>	<u>\$ 10,360,888</u>

As of September 30, 2022, the District had authorized but unissued utility facility bonds in the amount of \$7,530,000; authorized but unissued recreational facility bonds in the amount of \$5,210,000; and authorized but unissued refunding bonds in the amount of \$24,390,234.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the fiscal year ended September 30, 2022, the District levied an ad valorem debt service tax at the rate of \$0.159 per \$100 of assessed valuation, which resulted in a tax levy of \$846,629 on the adjusted taxable valuation of \$532,471,140 for the 2021 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

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

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS**

- A. The bond resolutions state that any profits realized from or interest accruing on investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that at the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. During the current fiscal year, all profits and interest earned on investments remained with the fund from which the monies for such investments were taken.
- B. The District covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5<sup>th</sup> year anniversary of each issue.
- C. The resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rule Making Board through its Electronic Municipal Market Access system (“EMMA”) and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.
- D. Series 2022 bond proceeds totaling \$176,100 were deposited into the Debt Service Fund and restricted for the payment of bond interest for future fiscal years.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$250,611 and the bank balance was \$353,699. The District was not exposed to custodial credit risk at year-end.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2022, as listed below:

	Cash
GENERAL FUND	\$ 115,916
DEBT SERVICE FUND	133,615
CAPITAL PROJECTS FUND	1,080
TOTAL DEPOSITS	\$ 250,611

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of September 30, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
TexPool	\$ 6,299,247	\$ 6,299,247	\$	\$
Texas CLASS	346,429	346,429		
<u>DEBT SERVICE FUND</u>				
TexPool	320,688	320,688		
<u>CAPITAL PROJECTS FUND</u>				
TexPool	5,380,118	5,380,118		
<b>TOTAL INVESTMENTS</b>	<b>\$ 12,346,482</b>	<b>\$ 12,346,482</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, the District’s investments in TexPool and Texas CLASS were rated “AAAm” by Standard & Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022:

	October 1, 2021	Increases	Decreases	September 30, 2022
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 1,167,886	\$	\$	\$ 1,167,886
Construction in Progress	<u>1,218,478</u>	<u>1,280,176</u>	<u>1,356,376</u>	<u>1,142,278</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 2,386,364</u>	<u>\$ 1,280,176</u>	<u>\$ 1,356,376</u>	<u>\$ 2,310,164</u>
<b>Capital Assets Subject to Depreciation</b>				
Amenities	\$ 5,249,620	\$ 1,164,111	\$	\$ 6,413,731
Water System	10,617,373			10,617,373
Wastewater System	5,737,101			5,737,101
Drainage System	2,685,028			2,685,028
Investment in Wastewater Treatment Plant	<u>6,732,327</u>	<u>192,265</u>		<u>6,924,592</u>
<b>Total Capital Assets Cost Subject to Depreciation</b>	<u>\$ 31,021,449</u>	<u>\$ 1,356,376</u>	<u>\$ - 0 -</u>	<u>\$ 32,377,825</u>
<b>Accumulated Depreciation</b>				
Amenities	\$ 2,894,156	\$ 340,630	\$	\$ 3,234,786
Water System	6,938,034	212,239		7,150,273
Wastewater System	3,120,525	133,532		3,254,057
Drainage System	713,800	54,137		767,937
Investment in Wastewater Treatment Plant	<u>4,469,818</u>	<u>64,702</u>		<u>4,534,520</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 18,136,333</u>	<u>\$ 805,240</u>	<u>\$ - 0 -</u>	<u>\$ 18,941,573</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 12,885,116</u>	<u>\$ 551,136</u>	<u>\$ - 0 -</u>	<u>\$ 13,436,252</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 15,271,480</u>	<u>\$ 1,831,312</u>	<u>\$ 1,356,376</u>	<u>\$ 15,746,416</u>

The District has financed certain drainage facilities which have been conveyed to other entities for maintenance.

**NOTE 7. MAINTENANCE TAX**

On November 7, 2006, voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.4425 per \$100 of assessed valuation, which resulted in a tax levy of \$2,356,185 on the adjusted taxable valuation of \$532,471,140 for the 2021 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks, wastewater and storm sewer systems and parks and recreational facilities.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT**

On May 23, 1978, the District executed a contract with Chelford City Municipal Utility District (“Chelford City”) for the provision of wastewater treatment services to receive, transport, treat and dispose of all waste collected by the District. Chelford City is responsible for constructing, operating and maintaining the wastewater treatment plant. The District purchased 800,000 gallons per day (“gpd”) capacity with its Series 1983 bond proceeds. With its 1985 bond proceeds the District purchased an additional 2,687,360 gpd capacity, resulting in a total of 3,512,360 gpd capacity in the Chelford City Regional Wastewater Treatment Plant (the “Plant”). The Plant was down-rated in 2008 from 15,500,000 gpd capacity to 11,000,000 gpd capacity. As a result, the District’s share of capacity decreased to 2,492,643 gpd.

The contract states that Chelford City shall remain owner of all the facilities involved and the District will maintain a reserve of capacity in the Plant. The District will pay an operating charge of \$1.50 per 1,000 gallons of treatment capacity in the waste disposal system reserved to the District plus the District’s pro-rata share of operating costs based upon the number of equivalent connections to the system.

On September 11, 2006, the District amended the contract to clarify the pro rata share of each participant and extend the term of the contract. The term of this contract is for a period of 40 years and shall automatically be extended for successive 40-year periods until all of the participants have been annexed and dissolved by the City of Houston, Texas.

During the current fiscal year, the monthly per-connection charge was \$12.85. It is currently budgeted that the monthly connection charge will be \$12.85 for the fiscal year ended September 30, 2022. As of September 30, 2022, each participant’s share has been adjusted to actual costs. Any excess of revenues or expenditures has been allocated to each participant based upon their prorata share of total annual billings and added to or deducted from each participant’s fund balance. In addition, each participant is required to maintain its pro-rata share of an operation and maintenance reserve equivalent to three months of average, budgeted operation and maintenance costs. If in a situation whereby Chelford City is required to sell bonds to the benefit of the District, Chelford City has reserved the right to levy a capacity charge to the District for its prorata portion of the principal of and interest on said bonds.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT (Continued)**

The participating entities and their respective prorata share of capacity in the Plant are:

Participants	Gallons Per Day Capacity	Percentage
Chelford City Municipal Utility District	864,423	7.86
Chelford One Municipal Utility District	532,258	4.85
Mission Bend Municipal Utility District No. 1	1,041,895	9.47
Mission Bend Municipal Utility District No. 2	2,492,643	22.66
City of Houston (Formerly Harris County Municipal Utility District No. 98)	1,087,112	9.88
Harris County Municipal Utility District No. 120	3,010,952	27.37
Harris County Municipal Utility District No. 147	489,734	4.45
Alief Church of the Nazarene (Formerly United Savings of Texas)	7,806	0.07
City of Houston (Formerly West Houston Municipal Utility District)	<u>1,473,177</u>	<u>13.39</u>
<b>TOTAL</b>	<u><b>11,000,000</b></u>	<u><b>100.00</b></u>

Separate audited financial reports are issued on the Plant. Reports can be obtained by contacting the District's auditor or the District's attorney.

The following summary financial information of the Plant is presented for the fiscal year ended September 30, 2022:

	Joint Venture
Total Assets	\$ 4,593,738
Total Liabilities	<u>410,255</u>
Total Net Assets	<u><u>\$ 4,183,483</u></u>
Total Operating Revenues	\$ 3,276,136
Total Operating Expenses	<u>3,301,709</u>
Net Change in Fund Balance	\$ (25,573)
Fund Balance - October 1, 2021	<u>4,209,056</u>
Fund Balance - September 30, 2022	<u><u>\$ 4,183,483</u></u>

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8. JOINT WASTEWATER TREATMENT CONTRACT (Continued)**

During the current fiscal year, the District's advance for operations and maintenance to the Plant was \$917,780. The District recorded expenditures of \$681,289 for its share of the operating costs of the Plant.

**NOTE 9. MISSION BEND INTEGRATED WATER SYSTEM**

On May 14, 1981, the District, Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1 and Chelford City Municipal Utility District executed a Water Supply and Billing Agreement (the "Agreement") to coordinate the operation of the water plants and all water interconnects between the districts, allowing the districts to supply water to their respective customers from any water plant in the shared system. On May 14, 1986, the Agreement was renewed for a term of 40 years. On July 1, 2001 a Second Supplement to the Water Supply and Billing Agreement was executed. The districts agreed to share the production of their water plants and pay all costs of operating their respective plants except for electricity and chlorine. The electricity and chlorine costs are prorated to each district based on water billed in each district.

On June 1, 2012, the Amended and Restated Water Supply and Billing Agreement was executed to coordinate the operations of the water plants and the billing and collection for the payment of electricity bills, telephone bills, chemical bills and West Harris County Regional Water Authority fees. Effective April 1, 2018, the districts executed the Second Amended and Restated Water Supply and Billing Agreement. The districts send their bills to Chelford City Municipal Utility District for payment from a separate account set up for the Mission Bend Integrated Water System. Chelford City Municipal Utility District then bills each district for its prorated share of the costs based on water billed by each district per month. Each district has paid into an operating reserve equal to two months of electricity, telephone, and chemical bills and two months of water authority fees. The term of the Agreement is 40 years. As of September 30, 2022, the District's share of the operating reserve is \$314,880.

**NOTE 10. AGREEMENT FOR CONSTRUCTION, FINANCING AND OPERATION OF AN ELEVATED WATER STORAGE FACILITY**

On May 30, 1986, the District executed an agreement with Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1, and Chelford City Municipal Utility District to construct, finance and operate a 2,000,000-gallon elevated storage facility. The District holds all legal right, title and interest to the facilities. On November 15, 2016, the districts approved the First Amendment to this agreement clarifying operation and maintenance cost calculations. The term of the agreement is 40 years, unless terminated by mutual agreement of all parties.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 10. AGREEMENT FOR CONSTRUCTION, FINANCING AND OPERATION OF AN ELEVATED WATER STORAGE FACILITY (Continued)**

Construction and engineering costs were allocated among the districts on a pro-rata basis according to the percentage an individual district’s estimated number of ultimate equivalent single-family residential connections bears to the total estimated number of ultimate equivalent single-family residential connections in all of the districts.

The District operates, maintains and insures the facility on behalf of the districts and pays all costs of operating, maintaining, repairing, reconstructing, replacing and insuring the facility. The districts share these costs according to their equitable prorata shares of capacity in the facility. The District invoices each district for its prorata share of the costs of operation and maintenance on an annual basis. Separate financial statements are not issued with regards to this agreement.

Each district has equitable ownership rights in the facility as follows:

Participant	Percentage
Mission Bend Municipal Utility District No. 2	50.08
Mission Bend Municipal Utility District No. 1	22.16
Chelford City Municipal Utility District	15.14
Chelford One Municipal Utility District	<u>12.62</u>
<b>TOTAL</b>	<u><b>100.00</b></u>

**NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the 77th Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The District may be required to convert its water supply to surface water over a period of time at the direction of the Authority.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$3.70 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$1,656,330 for fees assessed during the current fiscal year.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT**

Effective April 8, 2003, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. The agreement provided that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City would annex a tract of land defined as the “Tract” for the limited purposes of applying the City’s Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

Taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The District’s assets, liabilities, indebtedness, and obligations remain the responsibility of the District during the period preceding full-purpose annexation.

The qualified voters of the Tract may vote in City elections in certain circumstances provided for in the applicable provisions of the Texas Local Government Code.

The City imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax receipts generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller’s office. During the fiscal year ended September 30, 2022, the District recorded sales tax receipts of \$434,952 from the City of Houston, of which \$118,504 was receivable at year-end.

In consideration for the sales tax receipts and the City’s limited-purpose annexation of the Tract in the District, the District agreed to make a payment of \$100 per year on the anniversary of the Implementation Date of this agreement. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the Agreement.

**NOTE 13. INTERFUND BALANCES**

The Debt Service Fund (Tax Account) owes the General Fund \$18,962 for maintenance tax collections. The Debt Service Fund owes the General Fund \$8,250 for arbitrage compliance expenses. The Capital Projects Fund owes the General Fund \$371,394 for engineering and construction costs related to the water plant improvement project.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 14. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 15. STREET LIGHT BILLING AGREEMENT**

On June 1, 2012, the District, Chelford One Municipal Utility District, Mission Bend Municipal Utility District No. 1 and Chelford City Municipal Utility District executed a Street Light Billing Agreement (the "Agreement") to keep the street lights within the boundaries of the districts along Bellaire Boulevard operational. The electricity bills are sent directly to Chelford City Municipal Utility District for payment. The bookkeeper pays the electricity costs out of the integrated water system account and bills the districts monthly for their prorata shares of the costs based on the number of street lights in each district. Each district has paid into an operating reserve an amount equal to the estimated amount of two months of electricity bills for the street lights. The District's share of the operating reserve is included in the amount in Note 9.

**NOTE 16. BOND SALE**

On May 17, 2022, the District closed on the sale of Unlimited Tax Bonds, Series 2022 in the amount of \$5,870,000. Proceeds from the bond sale will be used to fund the construction and engineering of improvements to Water Plants No. 1 and No. 2 and lift station no. 1. Additional proceeds were used to cover issuance costs of the bonds.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2022**

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 2,398,115	\$ 2,398,115	\$ 2,279,773	\$ (118,342)
Sales Tax Receipts	360,000	360,000	434,952	74,952
Water Service	822,813	678,778	696,301	17,523
Wastewater Service	863,338	740,853	748,236	7,383
Regional Water Authority Fees	1,568,674	1,392,331	1,482,729	90,398
Penalty and Interest	35,000	48,000	44,992	(3,008)
Tap Connection and Inspection Fees	73,430	95,775	99,611	3,836
Investment Revenues	25,000	5,000	43,933	38,933
Miscellaneous Revenues	24,100	25,100	22,048	(3,052)
<b>TOTAL REVENUES</b>	<b>\$ 6,170,470</b>	<b>\$ 5,743,952</b>	<b>\$ 5,852,575</b>	<b>\$ 108,623</b>
<b>EXPENDITURES</b>				
Service Operations:				
Professional Fees	\$ 298,000	\$ 298,000	\$ 240,657	\$ 57,343
Contracted Services	456,820	456,820	467,821	(11,001)
Purchased Wastewater Service	756,000	676,831	681,289	(4,458)
Utilities	154,000	191,551	193,674	(2,123)
Repairs and Maintenance	575,000	700,000	586,756	113,244
Regional Water Authority				
Assessments	1,528,748	1,556,244	1,656,330	(100,086)
Parks and Recreation	240,000	240,000	239,001	999
Other	264,942	253,548	213,473	40,075
Capital Outlay	1,042,232	1,008,427	716,517	291,910
Bond Issuance Costs			33,625	(33,625)
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,315,742</b>	<b>\$ 5,381,421</b>	<b>\$ 5,029,143</b>	<b>\$ 352,278</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 854,728</b>	<b>\$ 362,531</b>	<b>\$ 823,432</b>	<b>\$ 460,901</b>
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ 13,000	\$ 13,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 854,728</b>	<b>\$ 362,531</b>	<b>\$ 836,432</b>	<b>\$ 473,901</b>
<b>FUND BALANCE - OCTOBER 1, 2021</b>	<b>7,537,463</b>	<b>7,537,463</b>	<b>7,537,463</b>	
<b>FUND BALANCE - SEPTEMBER 30, 2022</b>	<b>\$ 8,392,191</b>	<b>\$ 7,899,994</b>	<b>\$ 8,373,895</b>	<b>\$ 473,901</b>

See accompanying independent auditor's report.

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**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**SEPTEMBER 30, 2022**

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**SERVICE AND RATES**  
**SEPTEMBER 30, 2022**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8” METER (OR EQUIVALENT):**

Based on the rate order approved April 19, 2022.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 5.00	10,000	N	\$ 1.00	10,001 – 15,000
				\$ 1.75	15,001 – 25,000
				\$ 2.50	25,001 – 35,000
				\$ 3.50	35,001 – 60,000
				\$ 5.00	60,001 and up
WASTEWATER:	\$ 10.00		Y		
SURCHARGE:					
Regional Water Authority Fees			N	\$ 4.07	For each 1,000 gallons

District employs winter averaging for wastewater usage? 

_____	_____
Yes	<u>  X  </u> No

Total monthly charges per 10,000 gallons usage: Water: \$5.00 Wastewater: \$10.00 Surcharge: \$40.70 Total: \$55.70

\* Pumpage fee plus 10%

See accompanying independent auditor’s report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**SERVICE AND RATES**  
**SEPTEMBER 30, 2022**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	1,067	1,044	x 1.0	1,044
1"	66	64	x 2.5	160
1½"	25	23	x 5.0	115
2"	92	89	x 8.0	712
3"	5	5	x 15.0	75
4"	11	11	x 25.0	275
6"	1	1	x 50.0	50
8"	1	1	x 80.0	80
10"	1	1	x 115.0	115
Total Water Connections	<u>1,269</u>	<u>1,239</u>		<u>2,626</u>
Total Wastewater Connections	<u>1,211</u>	<u>1,194</u>	x 1.0	<u>1,194</u>

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

Gallons pumped into system: 378,348,000\*\*      Water Accountability Ratio: 100 %  
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 378,348,000

\*\* The District is part of the Mission Bend Integrated Water System. The purchased and sold amounts are not noted by individual districts. All four districts in this system buy and sell water to the other districts in the regional system monthly.

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**SERVICE AND RATES**  
**SEPTEMBER 30, 2022**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

PROFESSIONAL FEES:	
Architect	\$ 32,271
Auditing	22,000
Engineering	36,598
Legal	148,028
Financial Advisor	<u>1,760</u>
TOTAL PROFESSIONAL FEES	<u>\$ 240,657</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Wastewater Service	<u>\$ 681,289</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 57,684
Operations and Billing	128,724
Security	<u>281,413</u>
TOTAL CONTRACTED SERVICES	<u>\$ 467,821</u>
UTILITIES:	
Electricity	\$ 189,939
Telephone	<u>3,735</u>
TOTAL UTILITIES	<u>\$ 193,674</u>
REPAIRS AND MAINTENANCE	<u>\$ 586,756</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 36,150
Dues	3,325
Insurance	27,572
Legal Notices	1,638
Payroll Taxes	5,550
Travel and Meetings	3,928
Other	<u>50,480</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 128,643</u>

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

CAPITAL OUTLAY	\$ <u>716,517</u>
TAP CONNECTIONS	\$ <u>22,728</u>
PARKS AND RECREATION	\$ <u>239,001</u>
<b>OTHER EXPENDITURES:</b>	
Laboratory Fees	\$ 4,671
Permit Fees	8,935
Inspection Fees	41,321
Regional Water Authority Assessments	1,656,330
Regulatory Assessment	<u>7,175</u>
TOTAL OTHER EXPENDITURES	\$ <u>1,718,432</u>
<b>DEBT SERVICE:</b>	
Bond Issuance Costs	\$ <u>33,625</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>5,029,143</u></b>

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**INVESTMENTS**  
**SEPTEMBER 30, 2022**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 6,299,247	\$
Texas CLASS	XXXX0001	Varies	Daily	<u>346,429</u>	<u>                    </u>
TOTAL GENERAL FUND				<u>\$ 6,645,676</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0005	Varies	Daily	<u>\$ 320,688</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0002	Varies	Daily	<u>\$ 5,380,118</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 12,346,482</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2021	\$	66,746	\$	91,285
Adjustments to Beginning				
Balance		<u>(60,229)</u>	\$	58,155
Original 2021 Tax Levy	\$	2,147,970	\$	771,813
Adjustment to 2021 Tax Levy		<u>208,215</u>	<u>2,356,185</u>	<u>846,629</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	2,362,702	\$
				904,784
TAX COLLECTIONS:				
Prior Years	\$	(53,653)	\$	(26,102)
Current Year		<u>2,333,426</u>	<u>2,279,773</u>	<u>812,349</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2022		<u>\$</u>	<u>82,929</u>	<u>\$</u>
				<u>92,435</u>
TAXES RECEIVABLE BY				
YEAR:				
2021	\$	22,759	\$	8,178
2020		10,444		5,713
2019		6,367		3,876
2018		5,448		3,469
2017		4,491		2,649
2016		2,159		1,914
2015		2,307		1,979
2014		2,452		2,457
2013		2,129		2,568
2012		2,310		2,893
2011		2,934		3,202
2010		4,035		4,369
2009		3,203		1,662
2008		3,816		1,955
2007		3,749		2,437
2006 and prior		<u>4,326</u>		<u>43,114</u>
TOTAL	\$	<u>82,929</u>	\$	<u>92,435</u>

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS:				
Land	\$ 166,802,957	\$ 162,844,847	\$ 160,413,327	\$ 146,125,092
Improvements	461,594,937	432,003,145	381,602,219	357,880,539
Personal Property	30,098,351	29,922,750	30,675,792	29,827,618
Exemptions	<u>(126,025,105)</u>	<u>(120,550,686)</u>	<u>(121,872,165)</u>	<u>(114,005,749)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 532,471,140</u>	<u>\$ 504,220,056</u>	<u>\$ 450,819,173</u>	<u>\$ 419,827,500</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.1590	\$ 0.2210	\$ 0.2365	\$ 0.2445
Maintenance**	<u>0.4425</u>	<u>0.4040</u>	<u>0.3885</u>	<u>0.3840</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.6015</u>	<u>\$ 0.6250</u>	<u>\$ 0.6250</u>	<u>\$ 0.6285</u>
ADJUSTED TAX LEVY*	<u>\$ 3,202,814</u>	<u>\$ 3,151,376</u>	<u>\$ 2,817,621</u>	<u>\$ 2,638,615</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.03 %</u>	<u>99.49 %</u>	<u>99.64 %</u>	<u>99.66 %</u>

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

\*\* Maintenance Tax –At an election held on November 7, 2006, voters of the District authorized a maintenance tax rate of \$1.50 per \$100 of assessed valuation.

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2022**

S E R I E S - 2 0 1 1				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 400,000	\$ 45,755	\$	445,755
2024	420,000	31,755		451,755
2025	435,000	16,530		451,530
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
	\$ 1,255,000	\$ 94,040	\$	1,349,040

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2022**

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 425,000	\$ 27,538	\$	452,538
2024	440,000	19,038		459,038
2025	455,000	10,238		465,238
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
	\$ 1,320,000	\$ 56,814	\$	1,376,814

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2022**

S E R I E S - 2 0 2 2				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 5,000	\$ 238,726	\$	243,726
2024	5,000	185,069		190,069
2025	5,000	184,919		189,919
2026	460,000	184,769		644,769
2027	470,000	169,819		639,819
2028	485,000	154,544		639,544
2029	500,000	138,781		638,781
2030	515,000	122,531		637,531
2031	530,000	106,438		636,438
2032	545,000	89,875		634,875
2033	560,000	73,525		633,525
2034	580,000	56,725		636,725
2035	595,000	39,325		634,325
2036	615,000	19,988		634,988
	\$ 5,870,000	\$ 1,765,034	\$	7,635,034

See accompanying independent auditor's report.

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**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2022**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 830,000	\$ 312,019	\$ 1,142,019
2024	865,000	235,862	1,100,862
2025	895,000	211,687	1,106,687
2026	460,000	184,769	644,769
2027	470,000	169,819	639,819
2028	485,000	154,544	639,544
2029	500,000	138,781	638,781
2030	515,000	122,531	637,531
2031	530,000	106,438	636,438
2032	545,000	89,875	634,875
2033	560,000	73,525	633,525
2034	580,000	56,725	636,725
2035	595,000	39,325	634,325
2036	615,000	19,988	634,988
	<u>\$ 8,445,000</u>	<u>\$ 1,915,888</u>	<u>\$ 10,360,888</u>

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2021
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2011	\$ 1,740,000	\$ 1,640,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2018	2,140,000	1,730,000
Mission Bend Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2022	<u>5,870,000</u>	<u>                    </u>
	<u>\$ 9,750,000</u>	<u>\$ 3,370,000</u>

Bond Authority:	Tax Bonds	Recreational Facility Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 45,620,000	\$ 8,000,000	\$ 30,000,000
Amount Issued	<u>38,090,000</u>	<u>2,790,000</u>	<u>5,609,766</u>
Remaining to be Issued	<u>\$ 7,530,000</u>	<u>\$ 5,210,000</u>	<u>\$ 24,390,234</u>

Debt Service Fund cash and investment balances as of September 30, 2022: \$ 454,303

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 740,063

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 385,000	\$ 58,845	\$ 1,255,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	410,000	35,738	\$ 1,320,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>5,870,000</u>			<u>5,870,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 5,870,000</u>	<u>\$ 795,000</u>	<u>\$ 94,583</u>	<u>\$ 8,445,000</u>	

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amounts		
	2022	2021	2020
<b>REVENUES</b>			
Property Taxes	\$ 2,279,773	\$ 2,021,881	\$ 1,725,669
Sales Tax Receipts	434,952	420,133	365,130
Water Service	696,301	749,353	719,583
Wastewater Service	748,236	794,659	703,263
Regional Water Authority Fees	1,482,729	1,442,625	1,293,972
Penalty and Interest	44,992	22,382	27,511
Tap Connection and Inspection Fees	99,611	107,520	118,590
Investment Revenues	43,933	8,091	73,712
Miscellaneous Revenues	22,048	21,762	20,645
<b>TOTAL REVENUES</b>	<b>\$ 5,852,575</b>	<b>\$ 5,588,406</b>	<b>\$ 5,048,075</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 240,657	\$ 290,934	\$ 300,926
Contracted Services	467,821	388,432	349,019
Purchased Wastewater Service	681,289	718,083	883,405
Utilities	193,674	161,083	163,996
Repairs and Maintenance	586,756	330,344	506,272
Regional Water Authority Assessments	1,656,330	1,563,519	1,394,818
Parks and Recreation	239,001	226,210	188,822
Other	213,473	215,744	228,176
Developer Interest			44,484
Capital Outlay	716,517	685,726	1,618,770
Bond Issuance Costs	33,625		
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,029,143</b>	<b>\$ 4,580,075</b>	<b>\$ 5,678,688</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 823,432</b>	<b>\$ 1,008,331</b>	<b>\$ (630,613)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ 13,000	\$ - 0 -	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 836,432</b>	<b>\$ 1,008,331</b>	<b>\$ (630,613)</b>
<b>BEGINNING FUND BALANCE</b>	<b>7,537,463</b>	<b>6,529,132</b>	<b>7,159,745</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 8,373,895</b>	<b>\$ 7,537,463</b>	<b>\$ 6,529,132</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2019	2018	2022	2021	2020	2019	2018		
\$ 1,593,172	\$ 1,677,272	38.9 %	36.3 %	34.3 %	33.6 %	37.2 %		
376,340	372,555	7.4	7.5	7.2	7.9	8.3		
659,392	645,382	11.9	13.4	14.3	13.9	14.4		
542,644	537,147	12.8	14.2	13.9	11.4	11.9		
1,189,568	1,088,031	25.3	25.8	25.6	25.1	24.2		
32,503	24,947	0.8	0.4	0.5	0.7	0.6		
226,023	70,725	1.7	1.9	2.3	4.8	1.6		
101,034	60,692	0.8	0.1	1.5	2.1	1.4		
22,391	18,512	0.4	0.4	0.4	0.5	0.4		
<u>\$ 4,743,067</u>	<u>\$ 4,495,263</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 228,202	\$ 267,811	4.1 %	5.2 %	6.0 %	4.8 %	6.0 %		
326,282	342,766	8.0	7.0	6.9	6.9	7.6		
548,594	693,522	11.6	12.8	17.5	11.6	15.4		
168,198	189,766	3.3	2.9	3.2	3.5	4.2		
418,750	334,874	10.0	5.9	10.0	8.8	7.4		
1,135,159	1,083,644	28.3	28.0	27.6	23.9	24.1		
228,557	311,135	4.1	4.0	3.7	4.8	6.9		
236,727	201,290	3.6	3.9	4.5	5.0	4.5		
520,841	160,453	12.2	12.3	32.1	11.0	3.6		
		0.6						
<u>\$ 3,811,310</u>	<u>\$ 3,585,261</u>	<u>85.8 %</u>	<u>82.0 %</u>	<u>112.4 %</u>	<u>80.3 %</u>	<u>79.7 %</u>		
\$ 931,757	\$ 910,002	<u>14.2 %</u>	<u>18.0 %</u>	<u>(12.4) %</u>	<u>19.7 %</u>	<u>20.3 %</u>		
\$ - 0 -	\$ 35,525							
\$ 931,757	\$ 945,527							
<u>6,227,988</u>	<u>5,282,461</u>							
<u>\$ 7,159,745</u>	<u>\$ 6,227,988</u>							

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2022	2021	2020
<b>REVENUES</b>			
Property Taxes	\$ 812,349	\$ 1,106,190	\$ 1,050,402
Penalty and Interest	36,483	26,269	23,331
Investment Revenues	5,456	1,144	5,348
<b>TOTAL REVENUES</b>	<b>\$ 854,288</b>	<b>\$ 1,133,603</b>	<b>\$ 1,079,081</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 69,316	\$ 63,988	\$ 59,035
Debt Service Principal	795,000	860,000	950,000
Debt Service Interest and Fees	102,833	121,108	154,568
<b>TOTAL EXPENDITURES</b>	<b>\$ 967,149</b>	<b>\$ 1,045,096</b>	<b>\$ 1,163,603</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (112,861)</b>	<b>\$ 88,507</b>	<b>\$ (84,522)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$ 176,100	\$ - 0 -	\$ - 0 -
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 63,239</b>	<b>\$ 88,507</b>	<b>\$ (84,522)</b>
<b>BEGINNING FUND BALANCE</b>	<b>235,835</b>	<b>147,328</b>	<b>231,850</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 299,074</b>	<b>\$ 235,835</b>	<b>\$ 147,328</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,239</b>	<b>1,234</b>	<b>1,206</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,194</b>	<b>1,193</b>	<b>1,161</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 1,014,873	\$ 989,099	95.1 %	97.6 %	97.3 %	96.8 %	93.7 %
18,502	56,642	4.3	2.3	2.2	1.8	5.4
15,155	9,873	0.6	0.1	0.5	1.4	0.9
<u>\$ 1,048,530</u>	<u>\$ 1,055,614</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,047	\$ 70,881	8.1 %	5.6 %	5.5 %	5.0 %	6.7 %
915,000	865,000	93.1	75.9	88.0	87.3	81.9
182,348	163,044	12.0	10.7	14.3	17.4	15.4
<u>\$ 1,149,395</u>	<u>\$ 1,098,925</u>	<u>113.2 %</u>	<u>92.2 %</u>	<u>107.8 %</u>	<u>109.7 %</u>	<u>104.0 %</u>
<u>\$ (100,865)</u>	<u>\$ (43,311)</u>	<u>(13.2) %</u>	<u>7.8 %</u>	<u>(7.8) %</u>	<u>(9.7) %</u>	<u>(4.0) %</u>
<u>\$ - 0 -</u>	<u>\$ 53,806</u>					
\$ (100,865)	\$ 10,495					
332,715	322,220					
<u>\$ 231,850</u>	<u>\$ 332,715</u>					
<u>1,145</u>	<u>1,101</u>					
<u>1,101</u>	<u>1,060</u>					

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2022**

District Mailing Address - Mission Bend Municipal Utility District No. 2  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

<b>Board Members</b>	Term of Office (Elected or <u>Appointed</u> )	Fees of Office for the year ended <u>September 30, 2022</u>	Expense Reimbursements for the year ended <u>September 30, 2022</u>	<u>Title</u>
Judy Villagomez	05/20 05/24 (Elected)	\$ 6,750	\$ 1,052	President
Mary Bertrand	05/20 05/24 (Elected)	\$ 6,900	\$ 359	Vice President
Susan Land Johnson	05/22 05/26 (Elected)	\$ 7,050	\$ 348	Assistant Vice President
Marlene Wepler	05/20 05/24 (Elected)	\$ 7,200	\$ 696	Secretary
Leroy Eaglin	05/22 05/26 (Elected)	\$ 4,050	\$ 1,145	Assistant Secretary
Brenda Whitehead	05/18 05/22 (Elected)	\$ 4,200	\$ 328	Retired

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

Submission date of most recent District Registration Form: August 16, 2022.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on June 25, 2001. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2022**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 153,871 \$ 163,340	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/15/87	\$ 22,000 \$ 1,750	Auditor Bond Related
VLB Bookkeeping Services	9/27/04	\$ 55,696	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/25/96	\$ 10,362	Delinquent Tax Attorney
Langford Engineering, Inc.	09/15/20	\$ 317,281	Prior Engineer
AEI Engineering, a Baxter & Woodman Company	08/16/22	\$ 14,463	Engineer
Public Finance Group LLC	03/18/14	\$ 126,926	Financial Advisor
Vicki Busboom	09/27/04	\$ -0-	Investment Officer
Si Environmental, LLC	08/13/13	\$ 678,066	Operator
Bob Leared Interests	02/22/78	\$ 32,709	Tax Assessor/ Collector

See accompanying independent auditor's report.

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**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**

**OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2022**

**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**ASSESSED VALUE BY CLASSIFICATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**(UNAUDITED)**

Type of Property	2021 Tax Roll Year	
	Amount	Percentage
Single Family	\$ 185,572,685	34.8 %
Multi-Family	116,246,044	21.8
Commercial	182,955,950	34.4
Personal	7,863,652	1.5
Acreage	24,105,514	4.5
Other Exempt	15,727,295	3.0
Total	<u>\$ 532,471,140</u>	<u>100.0 %</u>

See accompanying independent auditor's report.

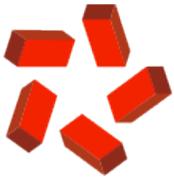
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**MISSION BEND MUNICIPAL UTILITY DISTRICT NO. 2**  
**PRINCIPAL TAXPAYERS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**(UNAUDITED)**

Taxpayers	2021
1. Rama Elite LLC Et Al	\$ 40,931,803
2. West Houston Apartments LLC	27,661,128
3. Plaza on Westheimer	24,199,031
4. JSN Apartments LLC	22,306,831
5. LF2 Predisio LP	18,547,478
6. JMC Properties LP	12,947,236
7. Everspring Estates LLC	12,537,760
8. TRC Matthew Ridge LTD	12,241,498
9. SBC Communications	9,392,840
10. PMW Center One LLC	<u>8,243,301</u>
Total Ten Principal Taxpayers	<u>\$ 189,008,906</u>

See accompanying independent auditor's report.

**APPENDIX B**  
**Specimen Municipal Bond Insurance Policy**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

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

Email:

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

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN