

**HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 127**  
(Harris County, Texas)

**PRELIMINARY OFFICIAL STATEMENT**  
**DATED: DECEMBER 9, 2024**

**\$7,710,000**  
**UNLIMITED TAX BONDS**  
**SERIES 2025**

**BIDS DUE: 10:00 A.M., HOUSTON TIME**  
**BONDS AWARDED: 12:00 NOON, HOUSTON TIME**  
**MONDAY, JANUARY 13, 2025**  
**HOUSTON, TEXAS**





PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 9, 2024

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS MUNICIPAL UTILITY DISTRICT NO. 127. IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION; 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 THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

**NEW ISSUE - Book-Entry Only**

**Ratings: S&P Global Ratings (Underlying)... "A+" (stable outlook)**

**See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" herein**

**\$7,710,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127  
(A Political Subdivision of the State of Texas, located within Harris County, Texas)  
UNLIMITED TAX BONDS, SERIES 2025**

**Dated Date: February 1, 2025**

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

**Interest Accrual Date: Date of Delivery**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N. A., or any successor paying agent/registrars (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected February 10, 2025) (the "Date of Delivery"), and is payable on September 1, 2025, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 127 (the "District"), as a whole or in part, on September 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

**See Maturity Schedule on the inside cover**

The Bonds constitute the sixth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of \$45,295,000 principal amount of bonds for the purpose of acquiring and constructing the System, and \$15,500,000 principal amount of bonds for refunding purposes. Following the issuance of the Bonds, \$11,200,000 principal amount of unlimited tax bonds authorized by the District's voters for acquiring and constructing the System and \$7,775,000 principal amount of bonds for refunding purposes will remain unissued. See "THE BONDS - Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS - Source and Security for Payment." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered, when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Strawn & Richardson P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about February 10, 2025.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE

CUSIP Prefix (a): 413910

<u>Maturity (Due September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2041 <sup>(c)</sup>	\$705,000	%	%	
2042 <sup>(c)</sup>	740,000			
2043 <sup>(c)</sup>	775,000			
2044 <sup>(c)</sup>	810,000			
2045 <sup>(c)</sup>	850,000			
2046 <sup>(c)</sup>	890,000			
2047 <sup>(c)</sup>	935,000			
2048 <sup>(c)</sup>	980,000			
2049 <sup>(c)</sup>	1,025,000			

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by CUSIP Global Services and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriters for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Strawn & Richardson, P.C., 1155 Dairy Ashford Road, Suite 875, Houston, Texas 77079 upon payment of the costs for duplication thereof.

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 condition of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter, and thereafter only as described under "GENERAL CONSIDERATIONS - Updating of Official Statement."

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.



## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by \_\_\_\_\_ (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of \_\_\_\_\_% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of \_\_\_\_\_%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### Prices and Marketability

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

### Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than S&P Global Ratings (“S & P”), a business unit of Standard & Poor’s Financial Services LLC, will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the S&P rating fees as described below. S&P has assigned an underlying rating of “A+” (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of S & P and the S & P’s rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Notice of Sale under the caption “NO MATERIAL ADVERSE CHANGE,” if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the

District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

### **BOND INSURANCE RISK FACTORS**

As is stated above under the caption "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings," applications have been made to insurers to issue a commitment for municipal bond guaranty insurance on the Bonds. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the "Policy") for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of any such insurer and its claims paying ability. An insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" above for further information regarding the District's application for municipal bond guaranty insurance on the Bonds.

**OFFICIAL STATEMENT SUMMARY**

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

**THE BONDS**

The Issuer.....	Harris County Municipal Utility District No. 127 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - General.”
Description.....	\$7,710,000 Unlimited Tax Bonds, Series 2025, are dated February 1, 2025, and mature on September 1 in the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the Date of Delivery (as defined herein), and is payable on September 1, 2025, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2030, or on any date thereafter at the option of the District. See “THE BONDS - General” and - “Redemption.”
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “Book-Entry-Only System”).
Source of Payment.....	Principal of and interest on the Bonds and the Outstanding Bonds (hereinafter defined) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS - Source and Security for Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”
Use of Proceeds.....	Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of the acquisition or construction of lease/purchase of wastewater treatment plant, capital due February 2025 for buyout of lease/purchase of wastewater treatment plant, and water, wastewater and drainage facilities serving Adelaide Sections 2 and 3, and the remaining portion of Adelaide, Section 1; (ii) pay engineering fees associated with the design and construction of the aforementioned projects; (iii) capitalize interest in the amount of \$607,163; (iv) pay developer interest; and (v) pay administrative and issuance costs, legal fees, fiscal agent’s fees, fees to the Texas Commission on Environmental Quality (the “TCEQ”), and the Attorney General

of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Outstanding Bonds and Payment Record .....

The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1984 (the “Series 1984 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the “Series 2004 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”) and Unlimited Tax Bonds, Series 2023 (the “Series 2023 Bonds”) for the purpose of acquiring or constructing components of the District’s water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the “System”). The District also has issued Unlimited Tax Refunding Bonds, Series 1994 (the “Series 1994 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2003 (the “Series 2003 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to the District’s prior issued debt as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. As of the date hereof, the aggregate outstanding principal amount of the Outstanding Bonds, consisting of the maturities thereof not previously paid by the District, will be \$13,105,000, and after issuance of the Bonds, the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$20,815,000. In addition to the components of the District’s System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirements,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Authorized But Unissued Bonds .....

After issuance of the Bonds, there will be \$11,200,000 bonds authorized but unissued for waterworks, wastewater, and drainage facilities and \$7,775,000 bonds will remain authorized but unissued for refunding purposes. See “THE BONDS - Issuance of Additional Debt.”

Municipal Bond Insurance and Rating .....

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than S&P Global Ratings (“S & P”), a business unit of Standard & Poor’s Financial Services LLC, will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to

selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the S&P rating fees as described below. S&P has assigned an underlying rating of “A+” (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of S & P and the S & P’s rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption “NO MATERIAL ADVERSE CHANGE,” the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds. See “SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance.”

Legal Opinion ..... Strawn & Richardson, P.C., Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”

Qualified Tax-Exempt Obligations ..... The District will designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations - Purchase of the Bonds by Financial Institutions.”

**THE DISTRICT**

Description ..... Harris County Municipal Utility District No. 127, Harris County, Texas, a political subdivision of the State of Texas, was created by the Texas Water Rights Commission, a predecessor to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) on April 1, 1975, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 519.27 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas. The District is located entirely within Harris County, Texas, approximately 20 miles northwest of the central business district of the City of Houston. The District is bounded on the east by Barker-Cypress Road, and the District is located approximately 5 miles north of the intersection of Interstate Highway 10 and Barker-Cypress Road. See “THE DISTRICT - Authority” and - “Location and Description,” “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

Authority ..... The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas, as amended, and the general laws of the State of Texas pertaining to municipal utility districts,

particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Development Of The District.....

As of December 1, 2024, single-family homes have been constructed on all 2,632 single-family residential lots that have been developed within the District. In addition, a 349-unit mini-storage warehouse facility has been completed on an approximate 6.1 acre tract located within the District and a warehouse facility has been constructed on an approximately 1.1 acre tract located within the District. Cypress-Fairbanks Independent School District owns an approximately 12.4 acre tract of land located within the District that is used primarily as sports fields. The development of the aggregate of such 2,632 single-family residential lots is complete on an aggregate of approximately 432.2 acres within the District, including the construction of underground water distribution, wastewater collection, and storm sewer facilities and street paving as follows: (i) 1,784 single-family residential lots located in the subdivisions that have been platted as Brenwood, Sections 1 through 3 and 5 through 8, Brenwood Park, Section 1, Brenwood Village, Sections 2 and 3, Brenwood Circle, Brenwood Trails, Section 1, and Brenwood Manor Townhomes (a total of approximately 299.7 acres) on all of which lots homes have been built and conveyed to home purchasers; and (ii) 848 single-family residential lots located in the subdivisions that have been platted as Adelaide, Sections 1 through 3 (a total of approximately 132.5 acres), on all of which lots homes have been built by Camillo Properties, LTD. (“Camillo Properties”), whose general partner is Camillo Properties GP., a Texas Corporation, for the purpose of leasing 501 of such homes to tenants (excluding 347 of such lots on which homes have been built and conveyed to home purchasers) as is delineated in the chart that appears under the caption “DEVELOPMENT OF THE DISTRICT.” The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes.

The District financed its portion of the cost of the acquisition or construction of the aforementioned components of the System to serve Brenwood, Sections 1 through 3 and 5 through 7, Brenwood Park, Section 1, Brenwood Village, Sections 2 and 3, Brenwood Circle, Brenwood Trails, Section 1, Adelaide, Section 1, Brenwood Manor Townhomes and Brenwood Circle, and certain other facilities, with portions of the proceeds of the sale of the Prior Bonds. The District will finance the District’s pro-rata share of the costs of expansion of the lease/purchase payments and buyout of lease for the wastewater treatment plant and water, wastewater and drainage facilities serving Adelaide, Sections 1 through 3, and other facilities, with the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption “THE BONDS - Use and Distribution of Bond Proceeds.” See “THE SYSTEM.”

Approximately 39.46 acres of currently undeveloped land located in the District are available for future development and are owned by multiple parties. Currently, the owner of 3.13 of such acres within the District has submitted a capacity request for a 35 unit townhome development. None of the owners of any of such remaining approximately 36.28 acres of undeveloped land located in the District has reported any development plan for such acreage

to the District. Therefore, the District cannot represent when, or whether, any of the currently undeveloped acres located in the District might be developed. See “FUTURE DEVELOPMENT.” The balance of the land in the District consists of acres which are contained in storm water detention facilities and various rights-of-way, easements, District facilities sites, or are otherwise not available for development.

### **INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2024 Assessed Valuation .....	\$ 600,293,941 (a)
(As of January 1, 2024)	
See "TAX DATA" and "TAX PROCEDURES"	
Direct Debt:	
Outstanding Bonds .....	\$ 13,105,000
The Bonds .....	<u>7,710,000</u>
Total .....	\$ 20,815,000 (b)
Estimated Overlapping Debt .....	\$ <u>33,912,439</u> (b)
Total Direct and Estimated Overlapping Debt .....	\$ 54,727,439 (b)
Direct Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	3.47 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	9.12 %
Bond Fund Balance Estimated as of Delivery of the Bonds.....	\$ 2,189,363 (c)
General Fund Balance as of November 11, 2024 .....	\$ 9,961,103
2024 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.179
Maintenance Tax.....	<u>0.270</u>
Total .....	\$ 0.449
Average Percentage of Total Tax Collections (2014-2023) as of November 30, 2024 .....	99.82 %
Average Annual Debt Service Requirements on the Bonds and the	
Outstanding Bonds (2026-2040) .....	\$ 1,423,862
Maximum Annual Debt Service Requirements on the Bonds and the	
Outstanding Bonds (2025) .....	\$ 1,669,937
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements on the Bonds and the Outstanding Bonds	
(2026-2040) at 95% Tax Collections	
Based Upon 2024 Assessed Valuation.....	\$ 0.25
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual	
Debt Service Requirements on the Bonds and the Outstanding Bonds	
(2025) at 95% Tax Collections	
Based Upon 2024 Assessed Valuation.....	\$ 0.30
Number of Single Family Residences .....	2,632

(a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the



“Appraisal Review Board”). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District’s “Estimated Final Taxable Value with Hearing Loss” of such protested properties is \$440,884, which total is included in the amount of \$600,293,941. The Appraisal District has proposed the valuation of such protested properties to be \$478,489. The Appraisal District’s estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,183,460, which total is also included in the amount of \$600,293,941. The District is unable to predict the amount of the District’s final 2024 Assessed Valuation. Such final 2024 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2024. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX PROCEDURES.”

- (b) See “DISTRICT DEBT.” In addition to the components of the District’s System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirements,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”
- (c) Neither Texas law nor the Bond Order (as defined herein) requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due for 2024, and the capitalization of \$607,163 from the proceeds of the sale of the Bonds that will be deposited in the Bond Fund upon the delivery of the Bonds. The initial payment on the Bonds, consisting of an interest payment thereon, is due September 1, 2025.

**\$7,710,000**  
**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127**  
**UNLIMITED TAX BONDS**  
**SERIES 2025**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 127 (the “District”) of its Unlimited Tax Bonds, Series 2025 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs of duplication thereof.

**THE BONDS**

**General**

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

**Description**

The Bonds will be dated February 1, 2025. Interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover hereof, and is payable on each September 1 and March 1 thereafter (each, an “Interest Payment Date”) until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds mature on September 1 of the years and in the amounts shown under “MATURITY SCHEDULE” on the inside cover page hereof. The Bonds are issued in fully registered form only in principal denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be initially registered and delivered only to the Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

**Authority for Issuance**

At elections held within the District on August 13, 1983, November 5, 2013, and May 3, 2016, voters of the District authorized a total of \$45,295,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds will constitute the sixth issuance of bonds for water, sanitary sewer and drainage facilities. After sale of the Bonds, a total of \$11,200,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities will remain authorized but unissued. The District’s voters authorized the issuance of a total of \$15,500,000 unlimited tax refunding bonds at an election held within the District on September 5, 1992, an aggregate of \$7,775,000 principal amount of which unlimited tax refunding bonds remain authorized but unissued. The Bonds are issued by the District pursuant to the terms of said election and provisions of the Bond Order, an election held within the District, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by an order of the TCEQ.

## **Outstanding Bonds and Payment Record**

The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1984 (the “Series 1984 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2004 (the “Series 2004 Bonds”), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”) and Unlimited Tax Bonds, Series 2023 (the “Series 2023 Bonds”) for the purpose of acquiring or constructing components of the District’s water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the “System”). The District also has issued Unlimited Tax Refunding Bonds, Series 1994 (the “Series 1994 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2003 (the “Series 2003 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to the District’s prior issued debt as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. After issuance of the Bonds, the aggregate outstanding principal amount of the Outstanding Bonds, consisting of the maturities thereof not previously paid by the District, will be \$13,105,000, and the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$20,815,000. In addition to the components of the District’s System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See “Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirements,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

## **Source of Payment**

The Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds and on additional bonds payable from taxes which may hereafter be issued, and Registrar fees.

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

## **Funds**

The Bond Order confirms the establishment of the District's Bond Fund (the “Bond Fund”) created and established pursuant to the orders of the District authorizing the issuance of the Prior Bonds. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional tax bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. The District will capitalize the amount of \$607,163 from the proceeds of the sale of the Bonds and will deposit such sum in the Bond Fund upon the delivery of the Bonds

## **Record Date**

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

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 of principal, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of each exercise of the reserved right of optimal redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar (hereinafter defined) for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

## **Method of Payment of Principal and Interest**

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial paying agent/registrar for the Bonds (the “Paying Agent/Registrar,” “Paying Agent,” or “Registrar”) for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States. The principal of and interest on the Bonds shall be paid to DTC, which will, in turn, remit same to its participants for subsequent disbursement of the amounts so paid to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

## **Registration**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the book-entry-only system described herein. One fully registered bond will be used for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar for the purpose of maintaining the Bond Register (the “Register”) on behalf of the District.

## **Replacement of Paying Agent/Registrar**

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

## **Issuance of Additional Debt**

The District may issue additional bonds, with the approval (where required) of the Texas Commission on Environmental Quality (the "TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized the issuance of a total of \$45,295,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$11,200,000 of unlimited tax bonds authorized but unissued for improvements and facilities. The District's voters have also authorized the issuance of \$15,500,000 unlimited tax bonds for refunding purposes, of which \$7,775,000 remain authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

The District's Engineer currently estimates that the aforementioned \$11,200,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "FUTURE DEVELOPMENT." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security of the Bonds.

## **Financing Road Facilities**

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for road powers nor calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

## **Financing Parks and Recreational Facilities**

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

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed 10 cents per \$100 of assessed value of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an annual ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed the lesser of 1% of the value of the taxable property in the District, 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 but not three percent of the value of the taxable property in the District at the time of issuance of the bonds or the estimated cost of the park plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds;

and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the Commission.

The District has not considered calling an election for such purposes but could consider doing so in the future.

### **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston 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," 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 of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

### **Strategic Partnership**

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District or other negotiated terms. Although the City has negotiated and entered into such an agreement with several other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

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

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to

carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

### **Consolidation**

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

### **Remedies in Event of Default**

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Bond Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to observe and perform any covenant, obligation or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. Certain traditional legal remedies also may not be available. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

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

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

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

### **Defeasance**

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

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

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



## Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of the acquisition or construction of lease/purchase of wastewater treatment plant, capital due February 2025 for buyout of lease/purchase of wastewater treatment plant, and water, wastewater and drainage facilities serving Adelaide Sections 2 and 3, and the remaining portion of Adelaide, Section 1; (ii) pay engineering fees associated with the design and construction of the aforementioned projects; (iii) capitalize interest in the amount of \$607,163; (iv) pay developer interest; and (v) pay administrative and issuance costs, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ"), and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

<b>Construction Costs</b>	<b><u>District Share</u></b>
A. Developer Contribution Items	
1. Adelaide, Section 1 – Water, Wastewater and Drainage	\$ 1,154,411
2. Adelaide, Section 2 – Water, Wastewater and Drainage	1,602,073
3. Adelaide, Section 3 – Water, Wastewater and Drainage	1,092,547
4. Engineering and Geotechnical	628,604
5. Stormwater Compliance	<u>115,108</u>
Total Developer Contribution Items	4,592,743
B. District Items	
1. Wastewater Treatment Plant Lease/Purchase Payments	\$ 261,000
2. Wastewater Treatment Plant Buyout of Lease	<u>862,163</u>
Total District Items	\$ 1,123,163
TOTAL CONSTRUCTION COSTS	\$ 5,715,906
<b>Non-Construction Costs</b>	
1. Legal Fees	\$ 154,200
2. Fiscal Agent Fees	154,200
3. Developer Interest	
a. Capitalized Interest	607,163
b. Developer Interest	718,244
4. Bond Discount	231,300
5. Bond Issuance Expenses	54,558
6. Bond Application Report Costs	47,444
7. Attorney General Fee	7,710
3. TCEQ Bond Issuance Fee	19,275
4. Contingencies *	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 1,994,094
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$ 7,710,000</b>

\* The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

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

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee 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 and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.*

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 S&P Global rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the Texas Water Rights Commission, a predecessor to the TCEQ, dated April 1, 1975, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of

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

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds for the acquisition, construction and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

**Description**

The District contains approximately 519.27 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City. The District is located entirely within Harris County, Texas, approximately 20 miles northwest of the central business district of the City. The District is bounded on the east by Barker-Cypress Road, and the District is located approximately 5 miles north of the intersection of Interstate Highway 10 and Barker-Cypress Road. See “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

**Management of the District**

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in November in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors currently reside within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in November</u>
Maureen Herzog	President	2026
Katherine Zamora	Vice President	2026
Katrina Ortega	Secretary	2028
Mike Harvey	Assistant Secretary	2028
Vacant	Director	2028

The District does not have a general manager or any other employee, but has contracted for services, as follows:

*Tax Assessor/Collector* - The District has engaged Equi Tax, Inc., Houston, Texas, as the District's Tax Assessor/Collector. According to Equi Tax, Inc., it presently serves approximately 66 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

*Utility System Operator* - The District has engaged H<sub>2</sub>O Consulting, Inc. as the general operator of the System. According to H<sub>2</sub>O Consulting, Inc., it serves as operator of the systems of approximately 12 districts.

*Consulting Engineers* - The District has engaged the firm of Edminster, Hinshaw, Russ & Associates, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

*Bookkeeper* - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 400 districts as bookkeeper.

*Auditor* - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

*Bond Counsel and General Counsel* - Strawn & Richardson, P.C., Houston, Texas, serves as Bond Counsel to the District. The fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. In addition, Strawn & Richardson, P.C. also serves as general counsel to the District on matters other than issuance of bonds. See "LEGAL MATTERS."

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

*Financial Advisor* - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through [http://www.sec.gov/edgar/searchedgar/company\\_search.html](http://www.sec.gov/edgar/searchedgar/company_search.html).

## **DEVELOPMENT OF THE DISTRICT**

As of December 1, 2024, single-family homes have been constructed on all 2,632 single-family residential lots that have been developed within the District. In addition, a 349-unit mini-storage warehouse facility has been completed on an approximate 6.1 acre tract located within the District and a warehouse facility has been constructed on an approximately 1.1 acre tract located within the District. Cypress-Fairbanks Independent School District owns an approximately 12.4 acre tract of land located within the District that is used primarily as sports fields. The development of the aggregate of such 2,632 single-family residential lots is complete on an aggregate of approximately 432.2 acres within the District, including the construction of underground water distribution, wastewater collection, and storm sewer facilities and street paving as follows: (i) 1,784 single-family residential lots located in the subdivisions that have been platted as Brenwood, Sections 1 through 3 and 5 through 8, Brenwood Park, Section 1, Brenwood Village, Sections 2 and 3, Brenwood Circle, Brenwood Trails, Section 1, and Brenwood Manor Townhomes (a total of approximately 299.7 acres) on all of which lots homes have been built and conveyed to home purchasers; and (ii) 848 single-family residential lots located in the subdivisions that have been platted as Adelaide, Sections 1 through 3 (a total of approximately 132.5 acres), on all of which lots homes have been built by Camillo Properties, LTD. ("Camillo Properties"), whose general partner is Camillo Properties GP., a Texas Corporation, for the purpose of leasing 501 of such homes to tenants (excluding 347 of such lots on which homes have been built and conveyed to home purchasers) as is delineated in the chart that appears below. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes.

The District financed its portion of the cost of the acquisition or construction of the aforementioned components of the System to serve Brenwood, Sections 1 through 3 and 5 through 7, Brenwood Park, Section 1, Brenwood Village, Sections 2 and 3, Brenwood Circle, Brenwood Trails, Section 1, Adelaide, Section 1, Brenwood Manor Townhomes and Brenwood Circle, and certain other facilities, with portions of the proceeds of the sale of the Prior Bonds. The District will finance the District's pro-rata share of the costs of expansion of the lease/purchase payments and buyout of lease for the wastewater treatment plant and water, wastewater and drainage facilities serving Adelaide, Sections 1 through 3, and other facilities, with the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." See "THE SYSTEM."

Approximately 39.46 acres of currently undeveloped land located in the District are available for future development and are owned by multiple parties. Currently, the owner of 3.13 of such acres within the District has submitted a capacity request for a 35 unit townhome development. None of the owners of any of such remaining approximately 36.28 acres of undeveloped land located in the District has reported any development plan for such acreage to the District. Therefore, the District cannot represent when, or whether, any of the currently undeveloped acres located in the District might be developed. See “FUTURE DEVELOPMENT.” The balance of the land in the District consists of acres which are contained in storm water detention facilities and various rights-of-way, easements, District facilities sites, or are otherwise not available for development.

As of December 1, 2024, the status of lot development of the district in the District was as follows:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Fully Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction Sold</u>	<u>Under Construction Unsold</u>	<u>Completed Sold</u>	<u>Completed Unsold</u>	
Brenwood									
Section 1	114	25.2			0	0	114	0	114
Section 2	136	31.3			0	0	136	0	136
Section 3	208	38.1			0	0	208	0	208
Section 5	65	12.0			0	0	65	0	65
Section 6	63	11.4			0	0	63	0	63
Section 7	167	27.3			0	0	167	0	167
Section 8	191	30.6			0	0	191	0	191
Brenwood Park									
Section 1	175	24.8			0	0	175	0	175
Brenwood Village									
Section 2	138	17.9			0	0	138	0	138
Section 3	87	10.7			0	0	87	0	87
Brenwood Circle	33	3.7			0	0	33	0	33
Brenwood Trails									
Section 1	333	55.8			0	0	333	0	333
Brenwood Manor									
Townhomes	74	10.9			0	0	74	0	74
Adelaide									
Section 1*	372	45.0			0	0	372	0	372
Section 2*	283	42.3			0	0	283	0	283
Section 3*	193	45.2			0	0	193	0	193
	2,632	432.2	0	0	0	0	2,632	0	2,632

\* Camillo Properties has constructed such homes for the sole purpose of leasing 501 of such homes to tenants (excluding 347 of such lots on which homes have been built and conveyed to home purchasers).

## **FUTURE DEVELOPMENT**

As is described above under the caption “DEVELOPMENT OF THE DISTRICT,” all but approximately 39.46 acres of the developable land located within the District has been developed. Currently, the owner of 3.13 of such acres within the District has submitted a capacity request for a 35 unit townhome development. None of the owners of any of such remaining approximately 36.28 acres of undeveloped land located in the District has reported any development plan for such acreage to the District. Since no owner of any of such approximately 39.46 currently undeveloped acres is under any obligation to the District to proceed with the development of such acreage, the District cannot represent when, or whether any of such acreage might be developed. The District's Engineer currently estimates that the \$11,200,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities that will be necessary to provide service to all of the currently undeveloped portions of the District. The District anticipates financing its cost of acquiring or constructing additional components of its System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

## **THE SYSTEM**

### **Regulation**

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System must be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, and, in some instances, the TCEQ and the U.S. Army Corps of Engineers. Harris County and the City also exercise regulatory jurisdiction over the District's System. The total number of connections estimated at this time for the District upon the full development of its approximate 519.27 acres is 3,040 with a total of 6,000 people. The following descriptions are based upon information supplied by the District's Engineer.

### **Description**

Proceeds of the sale of the Prior Bonds were used to finance the District's cost of acquisition or construction of underground water distribution, wastewater collection, and storm drainage facilities to serve the fully developed single-family residential lots in Brenwood, Sections 1 through 3 and 5 through 7, Brenwood Park, Section 1, Brenwood Village, Section 3 and Brenwood Trails, Section 1 located in the District, the District's pro-rata share of the cost of wastewater treatment plant rehabilitation; the District's pro-rata share of the cost of water plant rehabilitation; and rehabilitation of the District's wastewater collection facilities that serve Brenwood, Sections 1 and 3, wastewater treatment plant expansion, lift station No. 1 to serve Adelaide, clearing and grubbing for phase one detention to serve Adelaide, phase one detention pond to serve Adelaide, water and wastewater facilities serving Barker Cypress Road and Gummert Road utility extension, lease/purchase of wastewater treatment plant, phase III, special reports for elevated storage tank variance, land acquisition costs, and water, wastewater and drainage facilities serving Adelaide, Section 1, Brenwood Manor Townhomes and Brenwood Circle and other facilities. The District will finance the the District's pro-rata share of the costs of expansion of the lease/purchase payments and buyout of lease for the wastewater treatment plant and water, wastewater and drainage facilities serving Adelaide, Sections 1 through 3, and other facilities with portions of the proceeds of the Bonds as is enumerated in this Official Statement under the caption “THE BONDS - Use and Distribution of Bond Proceeds.” The District has entered into a Restated Water and Sewer Facilities Agreement (the “Agreement”) dated February 25, 1999, and last amended October 11, 2021, with Harris County Municipal Utility District No. 239 (“MUD 239”). Under the terms of the Agreement, the water and sanitary sewer systems for the District and MUD 239 have been designed to operate as interconnected systems. The costs for constructing water and sanitary sewer lines which will benefit both districts will be shared on a pro rata basis. Also pursuant to the Agreement, the District and MUD 239 have agreed to share the hereinafter described joint water supply facilities and joint wastewater treatment facilities.

## **Wastewater Treatment**

The Agreement provided for the District and MUD 239 to jointly construct a wastewater treatment plant. The facility currently consists of 1,335,000 gallons per day (“gpd”) capacity. Under the terms of the Agreement, the District is entitled to 56.92% of the capacity in the wastewater treatment plant and bears 56.92% of the costs, including installation costs, related thereto. A portion of the proceeds of the sale of the Prior Bonds was used to finance the District's pro rata share of the cost of the facility. According to the District's Engineer, the District's current 759,885 gpd portion of such wastewater treatment capacity is sufficient to provide service to approximately 3,040 equivalent single-family residential connections (“ESFCs”) in the District, assuming design criteria of 250 gpd per ESFC. A portion of the proceeds of the sale of the Prior Bonds was used to finance the District's pro rata share of the cost of construction of a joint sanitary sewer trunk line which connects the District's wastewater collection system with MUD No. 239's wastewater collection system.

## **Water Supply**

The Agreement provides for the District's ownership with MUD 239 of joint water supply and purification facilities. Initial water supply is provided both districts by facilities (the “Water Plants”) consisting of one water plant that is located in the District and one water plant that is located in MUD 239. The Water Plants consist of two wells with a total capacity of 2,500 gallon per minute (“gpm”), four pressure tanks with a total capacity of 70,000 gallons, four 1,300 gpm booster pumps, four 1,100 gpm booster pumps, ground storage tanks aggregating 2,000,000 gallons of capacity and appurtenances. Under the terms of the Agreement, the District is entitled to 53.77% of the water supply capacity in the Water Plants and bears 50% of the costs, including construction costs, related thereto. According to the District's Engineer, the District's pro rata share of the Water Plant is sufficient to provide water supply to approximately 2,871 ESFCs. A portion of the proceeds of the sale of the Prior Bonds was used to finance the District's pro rata share of the costs of the Water Plants and of a joint water distribution trunk line which connects the District's water distribution system with MUD No. 239's water distribution system.

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority has entered into a contract with the City of Houston that will provide surface water to the Authority through the year 2080. The Authority has completed lines that extend from the City of Houston's existing water supply facilities to the participating districts in accordance with a Water Trunkline Financing Agreement, as amended. The District's water supply and storage facility conversion to surface water was completed on October 28, 2008, and the District receives approximately 99.5% of its fresh water from the Authority. See - “Subsidence and Conversion to Surface Water Supply” below.

## **Outfall Drainage Channel**

The District financed the District's portion of the cost of outfall drainage channel improvements to provide for storm water drainage for the District with a portion of the proceeds of the sale of the Prior Bonds.

## **100-Year Flood Plain**

According to the District's Engineer, the Federal Emergency Management Agency (“FEMA”) Flood Insurance Map which covers the land located within the District indicates that no portion of the District is designated as lying within the 100-year flood plain of any watercourse.

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



assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100 year flood plain have flooded multiple times in the last several years.

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.

### **Subsidence and Conversion to Surface Water Supply**

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. On January 9, 2013, the Subsidence District adopted a revised Regulatory Plan (the "2013 Plan"). Under the 1999 Plan, the District must have filed with the Subsidence District by January, 2003, a groundwater reduction plan ("GRP"), either individually or as part of a group of entities and was required to begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the total water demand. Under the 2013 Plan, additional disincentive fees will be imposed if the groundwater withdrawal exceeds 40% of the total water demand beginning January 2025, and exceeds 20% of the total water demand beginning January 2035. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May 2001, the Texas legislature created the Authority and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the requirements for conversion from ground water to surface water within its boundaries. The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, charges or tolls as necessary to accomplish its purposes. The Authority has to date issued water system revenue bonds to fund, among other things, Authority project costs. According to the Authority, the Authority intends to issue hundreds of millions of dollars of bonds by the year 2030 in order to finance the Authority's project costs. The Authority currently charges the District a fee of \$4.35 per 1,000 gallons of water delivered, and a fee of \$3.95 per 1,000 gallons of groundwater pumped, if any. Such fees are to be used to pay for the costs of the Authority in developing a groundwater reduction plan, the costs under a water supply contract entered into with the City of Houston and other costs of the Authority. 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 resulting in higher water rates. No representation is made that the Authority will continue in existence or will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water. The District's ability to pump ground water for water supply is subject to the receipt of an annual groundwater withdrawal permit from the Subsidence District. See "INVESTMENT CONSIDERATIONS - Future Debt" and - "Water Supply" above.

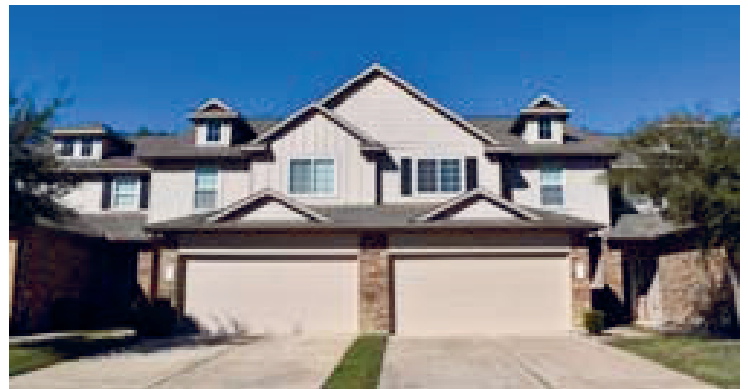
AERIAL PHOTOGRAPH OF THE DISTRICT  
(taken October 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken October 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken October 2024)



## DISTRICT DEBT

### General

The following calculations relate to the Bonds and the Outstanding Bonds. The District is empowered to incur debt to be paid from revenues raised by taxes levied against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxes levied against all or a portion of the property within the District.

2024 Assessed Valuation .....	\$	600,293,941 (a)
(As of January 1, 2024)		
See "TAX DATA" and "TAX PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	13,105,000
The Bonds .....		<u>7,710,000</u>
Total .....	\$	20,815,000 (b)
Estimated Overlapping Debt .....	\$	<u>33,912,439</u> (b)
Total Direct and Estimated Overlapping Debt .....	\$	54,727,439 (b)
Direct Debt Ratio		
: as a percentage of 2024 Assessed Valuation.....		3.47 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2024 Assessed Valuation.....		9.12 %
Bond Fund Balance Estimated as of Delivery of the Bonds.....	\$	2,189,363 (c)
General Fund Balance as of November 11, 2024 .....	\$	9,961,103
2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.179
Maintenance Tax .....		<u>0.270</u>
Total .....	\$	0.449
Average Percentage of Total Tax Collections (2014-2023) as of November 30, 2024 .....		99.82 %

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(a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is \$440,884, which total is included in the amount of \$600,293,941. The Appraisal District has proposed the valuation of such protested properties to be \$478,489. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,183,460, which total is also included in the amount of \$600,293,941. The District is unable to predict the amount of the District's final 2024 Assessed Valuation. Such final 2024 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2024. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."

- (b) In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."
- (c) Neither Texas law nor the Bond Order (as defined herein) requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due for 2024, and the capitalization of \$607,163 from the proceeds of the sale of the Bonds that will be deposited in the Bond Fund upon the delivery of the Bonds. The initial payment on the Bonds, consisting of an interest payment thereon, is due September 1, 2025.

**Estimated Direct and Overlapping Debt Statement**

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

<u><b>Taxing Jurisdiction</b></u>	<u><b>Debt as of December 1, 2024</b></u>	<u><b>Estimated Overlapping Percent</b></u>	<u><b>Amount</b></u>
Harris County <sup>(i)</sup>	\$2,424,019,039	0.09021%	\$2,186,656
Harris County Department of Education	28,960,000	0.09021%	26,124
Harris County Flood Control District	968,445,000	0.09021%	873,614
Harris County Hospital District	65,285,000	0.09021%	58,892
Port of Houston Authority	406,509,397	0.09021%	366,703
Cypress-Fairbanks Independent School District	3,669,120,000	0.80161%	29,411,878
Lone Star College System	507,100,000	0.19495%	<u>988,571</u>
Total Estimated Overlapping Debt			\$33,912,439
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>20,815,000</u>
Total Direct and Estimated Overlapping Debt			\$54,727,439

<sup>(i)</sup> Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.

**Debt Ratios**

	<u><b>% of 2024 Assessed Valuation</b></u>
Direct Debt.....	3.47%
Direct and Estimated Overlapping Debt .....	9.12%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District voters have authorized the levy of such a maintenance tax without limitation as to rate or amount. The District levied a maintenance tax of \$0.27 per \$100 of Assessed Valuation in 2024. See "TAX DATA - Maintenance Tax."

## Debt Service Requirements

The following schedule sets forth the debt service requirements for the Outstanding Bonds plus the principal and estimated interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest*	
2025	\$1,456,306		\$213,631	\$1,669,937
2026	1,119,013		366,225	1,485,238
2027	1,128,927		366,225	1,495,152
2028	1,018,313		366,225	1,384,538
2029	1,018,363		366,225	1,384,588
2030	1,017,963		366,225	1,384,188
2031	1,017,063		366,225	1,383,288
2032	1,015,763		366,225	1,381,988
2033	1,028,106		366,225	1,394,331
2034	1,043,406		366,225	1,409,631
2035	1,051,406		366,225	1,417,631
2036	1,063,225		366,225	1,429,450
2037	1,077,600		366,225	1,443,825
2038	1,080,800		366,225	1,447,025
2039	1,087,400		366,225	1,453,625
2040	1,097,200		366,225	1,463,425
2041		\$705,000	366,225	1,071,225
2042		740,000	332,738	1,072,738
2043		775,000	297,588	1,072,588
2044		810,000	260,775	1,070,775
2045		850,000	222,300	1,072,300
2046		890,000	181,925	1,071,925
2047		935,000	139,650	1,074,650
2048		980,000	95,238	1,075,238
2049		1,025,000	48,688	1,073,688
	\$17,320,854	\$7,710,000	\$7,652,133	\$32,682,987

\* Interest is estimated at 4.75% per annum for purposes of illustration.

Average Annual Requirements: (2026-2040) .....	\$1,423,862
Maximum Annual Requirement: (2025) .....	\$1,669,937

See "TAX DATA - Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates" for a discussion of the District's projected tax rates and the effect of the Bonds thereon.



## TAX DATA

### Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds and any future tax supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District has levied a debt service tax of \$0.179 per \$100 of Assessed Valuation for 2024.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax without limitation as to rate or amount. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.27 per \$100 of Assessed Valuation for 2024.

### Tax Rate Limitation

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

## Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current &amp; Prior Years(b)</u>	<u>Year Ended 9/30</u>
2012	\$149,475,838	\$0.900	\$1,345,184	99.9%	2013
2013	171,515,300	0.900	1,543,611	99.9	2014
2014	186,888,625	0.870	1,626,029	99.9	2015
2015	212,063,210	0.780	1,654,182	99.9	2016
2016	229,158,487	0.710	1,627,098	99.9	2017
2017	249,972,215	0.680	1,699,349	99.9	2018
2018	260,952,269	0.660	1,721,225	99.9	2019
2019	292,941,345	0.640	1,867,841	99.9	2020
2020	310,881,515	0.620	1,927,465	99.9	2021
2021	453,174,379	0.550	2,492,459	99.8	2022
2022	544,086,944	0.490	2,666,026	99.7	2023
2023	601,815,470	0.450	2,708,170	99.5	2024
2024	600,293,941(c)	0.449	2,695,320	3.1(d)	2025

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through November 30, 2024. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is \$440,884, which total is included in the amount of \$600,293,941. The Appraisal District has proposed the valuation of such protested properties to be \$478,489. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,183,460, which total is also included in the amount of \$600,293,941. The District is unable to predict the amount of the District's final 2024 Assessed Valuation. Such final 2024 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2024.

(d) As of November 30, 2024. In process of collection.

## Tax Rate Distribution

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$0.179	\$0.17	\$0.25	\$0.33	\$0.40
Maintenance	<u>0.270</u>	<u>0.28</u>	<u>0.24</u>	<u>0.22</u>	<u>0.22</u>
Total	\$0.449	\$0.45	\$0.49	\$0.55	\$0.62

**Analysis of Tax Base**

The following table illustrates the composition of property located within the District during the past five years.

<u>Type of Property</u>	<b>2024</b>		<b>2023</b>		<b>2022</b>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$143,519,093	23.91%	\$141,554,982	23.52%	\$115,059,363	21.15%
Improvements	482,807,213	80.43%	525,240,251	87.28%	476,038,359	87.49%
Personal Property	9,408,749	1.57%	7,079,368	1.18%	8,727,284	1.60%
Uncertified	1,624,344	0.27%	0	0.00%	0	0.00%
Exemptions	<u>-37,065,458</u>	<u>-6.17%</u>	<u>-72,059,131</u>	<u>-11.97%</u>	<u>-55,738,062</u>	<u>-10.24%</u>
TOTAL	\$600,293,941*	100.00%	\$601,815,470	100.00%	\$544,086,944	100.00%

<u>Type of Property</u>	<b>2021</b>		<b>2020</b>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$106,976,435	23.61%	\$70,467,320	22.67%
Improvements	363,510,110	80.21%	251,707,908	80.97%
Personal Property	6,082,093	1.34%	5,365,077	1.73%
Exemptions	<u>-23,394,259</u>	<u>-5.16%</u>	<u>-16,658,787</u>	<u>-5.36%</u>
TOTAL	\$453,174,379	100.00%	\$310,881,518	100.00%

\* Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District’s “Estimated Final Taxable Value with Hearing Loss” of such protested properties is \$440,884, which total is included in the amount of \$600,293,941. The Appraisal District has proposed the valuation of such protested properties to be \$478,489. The Appraisal District’s estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,183,460, which total is also included in the amount of \$600,293,941. The District is unable to predict the amount of the District’s final 2024 Assessed Valuation. Such final 2024 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2024.

**Principal 2024 Taxpayers**

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2024. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2024.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2024 Tax Roll</u>	<u>% of 2024 Tax Roll</u>
SRP SUB LLC	Land and Improvements	\$19,474,295	3.24%
Camillo Houses CV No. 6 LLC*	Land and Improvements	16,999,185	2.83%
Camillo Houses CV No. 3 LLC*	Land and Improvements	16,492,641	2.75%
Camillo Properties Ltd*	Land and Improvements	10,470,416	1.74%
Camillo Houses CV No. 2 LLC*	Land and Improvements	8,551,937	1.42%
Camillo Houses CV No. 4 LLC*	Land and Improvements	8,336,976	1.39%
2018 4 IH Borrower LP	Land and Improvements	8,145,761	1.36%
6211 Barker Cypress LLC	Land and Improvements	7,991,779	1.33%
American Homes 4 Rent	Land and Improvements	7,301,920	1.22%
PS LPT Properties Investors	Land and Improvements	<u>7,114,709</u>	<u>1.19%</u>
		\$110,879,619	18.47%

\* Related entities. Camillo Properties has constructed homes within the District for the purpose of leasing 501 of such homes to tenants. See “INVESTMENT CONSIDERATIONS – Landowner Obligation to the District.”

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2024 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand to augment tax receipts, and the sale of no additional bonds by the District. As outlined above under the caption “Historical Values and Tax Collection History,” as of November 30, 2024, the District has collected an average annual percentage of its property taxes of 99.82% for the years 2014 through 2023.

Average Annual Debt Service Requirements (2026-2040).....	\$1,423,862
Tax Rate of \$0.25 on the 2024 Assessed Valuation (\$600,293,941) produces.....	\$1,425,698
Maximum Annual Debt Service Requirement (2025) .....	\$1,669,937
Tax Rate of \$0.30 on the 2024 Assessed Valuation (\$600,293,941) produces.....	\$1,710,838

The District levied a debt service tax in 2024 of \$0.179, plus a maintenance tax of \$0.27 per \$100 of Assessed Valuation. As the above table illustrates, the District’s 2024 debt service tax levy of \$0.179 per \$100 of Assessed Valuation is not sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the District's 2024 Assessed Valuation, assuming a tax collection rate of 95%, no use of District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District. However, the District has collected an average of 99.82% of its tax levies for the period 2014 through 2023 as of November 30, 2024. Moreover, the District's Bond Fund balance is estimated to be \$2,189,363 after issuance of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, given these and other factors, the District anticipates that it will be able to meet the future debt service requirements on the Bonds and the Outstanding Bonds without increasing its total tax rate for debt service and maintenance tax above the total tax rate for debt service and maintenance tax which the District levied for 2024 - \$0.449 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property

values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” “ - Maximum Impact on District Tax Rates” and “TAX PROCEDURES.”

**Estimated Overlapping Taxes**

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2024 taxes levied upon property located within the District and the District’s 2024 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u><b>Taxing Jurisdiction</b></u>	<u><b>2024 Tax Rate Per \$100 of A.V.</b></u>
The District*	\$0.449000
Harris County	0.385290
Harris County Department of Education	0.004799
Harris County Flood Control District	0.048970
Harris County Hospital District	0.163480
Port of Houston Authority	0.006150
Cypress-Fairbanks Independent School District	1.086900
Lone Star College System	<u>0.107600</u>
Total Tax Rate	<u>\$2.252189</u>

\* Consisting of debt service and maintenance tax components of \$0.179 and \$0.27 per \$100 of Assessed Valuation, respectively.

**TAX PROCEDURES**

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

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

## Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District currently grants a \$50,000 homestead exemption to person who are 65 years of age or older and to disabled homestead owners. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of \$3,000, or between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property as defined by the Property Tax Code. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. For tax year 2011 and prior applicable years, the exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is further limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. 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. For the tax year 2012 and subsequent years, a taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before September 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

## **General Residential Homestead Exemption**

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

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

## **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code sets further notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. See "Rollback of Operation and Maintenance Tax Rate" below. 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.

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

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

### *Special Taxing Units*

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine

whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

#### *Developed Districts*

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

#### *Developing Districts*

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

#### *The District*

The District's Board of Directors adopted a resolution designating the District as a Developing District for the 2024 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use and for a period of five (5) years for timberland and open space land prior to the loss of the designation. According to the District's Tax Assessor/Collector, as of January 1, 2024, no land within the District was designated for agricultural use, open space or timberland.

### **Tax Abatement**

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is



executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

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

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent and as an alternative to the penalty described in the foregoing sentence, an additional penalty of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax penalty and interest, may, under certain circumstances, be imposed by the District. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. A delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. The District may waive penalties and interest on delinquent taxes only if an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances and mandatory installment agreements for delinquent taxes on residential homestead property in certain circumstances. 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, 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 equal monthly installments and must extend for a period of at least 12 months and no more than 36 months (as determined by the District. Additionally, the owner of a residential homestead property who is a person sixty five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

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

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years of foreclosure and all other property within six (6) months of foreclosure) or by

bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

### **Reappraisal of Property After Disaster**

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

### **Tax Payment Installments after Disaster**

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by the proceeds an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source and Security for Payment" and "Remedies in Event of Default."

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

**Economic Factors:** A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences that have been constructed within the District. The market value of such homes is related to general economic conditions affecting the demand for residences, and can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see "Potential Effects of Oil Price Volatility on the Houston Area" below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development in the District has occurred as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District

cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

**National Economy:** The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development of the District has occurred as described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically.

**Credit Markets and Liquidity in the Financial Markets:** Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 20 miles northwest of the central downtown business district of the City of Houston, 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 and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District’s property tax base.

**Landowner Obligation to the District:** Camillo Properties, Ltd. (described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT”) owns 848 single-family residential lots located within the District that have been developed as Adelaide, Sections 1 through 3. Camillo Properties has constructed homes on all of such lots in Adelaide, Sections 1 through 3 for the purpose of leasing 501 of such homes to tenants (excluding 347 of such lots on which homes have been built and conveyed to home purchasers). To the extent that Camillo Properties continues to own homes within the District for the purpose of leasing such homes to tenants, and to the extent that the ownership of such homes is concentrated in Camillo Properties and/or related entities, the proportion of the District’s tax roll owned by Camillo Properties will increase, and such entity(ies) will continue to be significant District taxpayers. See “TAX DATA - Principal 2024 Taxpayers.” The ability of Camillo Properties or any other principal taxpayer within the District to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of Camillo Properties or any land owner's right to sell its land. The District cannot predict the level of occupancy of the homes that Camillo Properties has constructed for rental purposes. See “FUTURE DEVELOPMENT.”

### **Maximum Impact on District Tax Rates**

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2024 Assessed Valuation of property located within the District (see “TAX DATA”) is \$600,293,941. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$1,669,937 (2025) and the Average Annual Debt Service Requirements will be \$1,423,862 (2026 through 2040, inclusive.) Assuming no increase to or decrease from the 2024 Assessed Valuation, no use of other District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District, tax rates of \$0.30 and \$0.25 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, respectively. See “TAX DATA - Tax Rate Calculations.”

The District levied a debt service tax in 2024 of \$0.179, plus a maintenance tax of \$0.27 per \$100 of Assessed Valuation. As is illustrated above, the District's 2024 debt service tax levy of \$0.179 per \$100 of Assessed Valuation is not sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the District's 2024 Assessed Valuation, assuming a tax collection rate of 95%, no use of District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District. However, the District has collected an average of 99.82% of its tax levies for the period 2014 through 2023 as of November 30, 2024. Moreover, the District's Bond Fund balance is estimated to be \$2,189,363 after issuance of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL AUDIT REPORT"). Therefore, given these and other factors, the District anticipates that it will be able to meet the future debt service requirements on the Bonds and the Outstanding Bonds without increasing its total tax rate for debt service and maintenance tax above the total tax rate for debt service and maintenance tax which the District levied for 2024 - \$0.449 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "Future Debt" below, "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements" and "THE SYSTEM."

Increases in the District's tax rate to higher levels than the rate which the District levied in 2024 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a major taxpayer, (c) market conditions affecting the marketability of taxable property within the District at a foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities on the parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAX PROCEDURES." In addition to automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce the amount of any taxes assessed against the debtor, including taxes that have already been paid.

### **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no

acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Remedies in Event of Default" and "Bankruptcy Limitation to Registered Owners' Rights" below.

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

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

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

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

The District may not be placed into bankruptcy involuntarily.

### **Future Debt**

The District reserved in the Bond Order the right to issue the remaining \$11,200,000 in unlimited tax bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, and \$7,775,000 authorized but unissued unlimited tax refunding bonds, and such additional bonds as may hereafter be approved by both the Board of Directors and the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. The issuance of such \$11,200,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements" and "THE SYSTEM."

The District's Engineer currently estimates that the aforementioned \$11,200,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "FUTURE DEVELOPMENT." If additional bonds are issued in

the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. See “THE BONDS - Issuance of Additional Debt.”

### **Competitive Nature of Houston Residential Housing Market**

The housing industry in the Houston area is very competitive. The respective competitive positions of land owner(s), developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

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

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

### **Marketability**

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

### **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 two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

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

The 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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

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

### **Extreme Weather Events**

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., "500 year flood" events) since 2015, 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 the District's Operator and Engineer, the District's System did not sustain any material damage from Hurricane Harvey and there was no interruption of water or sewer service. Neither the District's Operator nor Engineer is aware of any homes or commercial buildings within the District that experienced structural flooding or other significant 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 in 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*

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.



## **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 construction activity within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

## **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.

## **LEGAL MATTERS**

### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an ad valorem tax levied without limit as to rate or amount upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Bond Counsel's opinion will also address the matters described below under "Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for the subcaption "Book-Entry-Only System"), "THE DISTRICT – General," and - "Management of the District – Attorney," "TAX PROCEDURES," "LEGAL MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to herein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has either 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.

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

### **Tax Exemption**

On the date of initial delivery of the Bonds, Strawn & Richardson, P.C., Houston, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the

“gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”); 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 Code) for the purpose of determining the alternative minimum tax imposed on corporations. Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

### **Collateral Federal Income Tax Consequences**

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

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

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

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

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

### **Future and Proposed Legislation**

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

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as

“qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District will designate the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax- exempt obligations.” Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”

### **No-Litigation Certificate**

The District will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by appropriate officers of the Board, to the substantial effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, 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, the corporate existence or boundaries of the District or the title to the then present offices and directors of the Board.

### **No Material Adverse Change**

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. If the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

## **SOURCES OF INFORMATION**

### **General**

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

The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report herein.

## **Experts**

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned “THE DISTRICT,” “DEVELOPMENT OF THE DISTRICT,” “FUTURE DEVELOPMENT,” and “THE SYSTEM,” has been provided by Edminster, Hinshaw, Russ & Associates, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Harris Central Appraisal District and Equi Tax, Inc. The District has included certain information herein in reliance upon Equi Tax, Inc.'s authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

## **GENERAL CONSIDERATIONS**

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

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

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriters a certificate, executed by appropriate officers of the Board, acting in their official capacities, to the substantial effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

### **Official Statement “Deemed Final”**

For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an “official statement” with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in the Rule.

## CONTINUING DISCLOSURE OF INFORMATION

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

### Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION” and “TAX DATA” and in “APPENDIX B - ANNUAL AUDIT REPORT.” The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

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

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

### 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 determination 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 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 SEC Rule 15c2-12 (the "Rule"). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

## Availability of Information

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

## Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriters 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 Order 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 Underwriters 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 made by it in accordance with SEC Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 127 as of the date shown on the first page hereof.

President, Board of Directors  
Harris County Municipal  
Utility District No. 127

ATTEST:

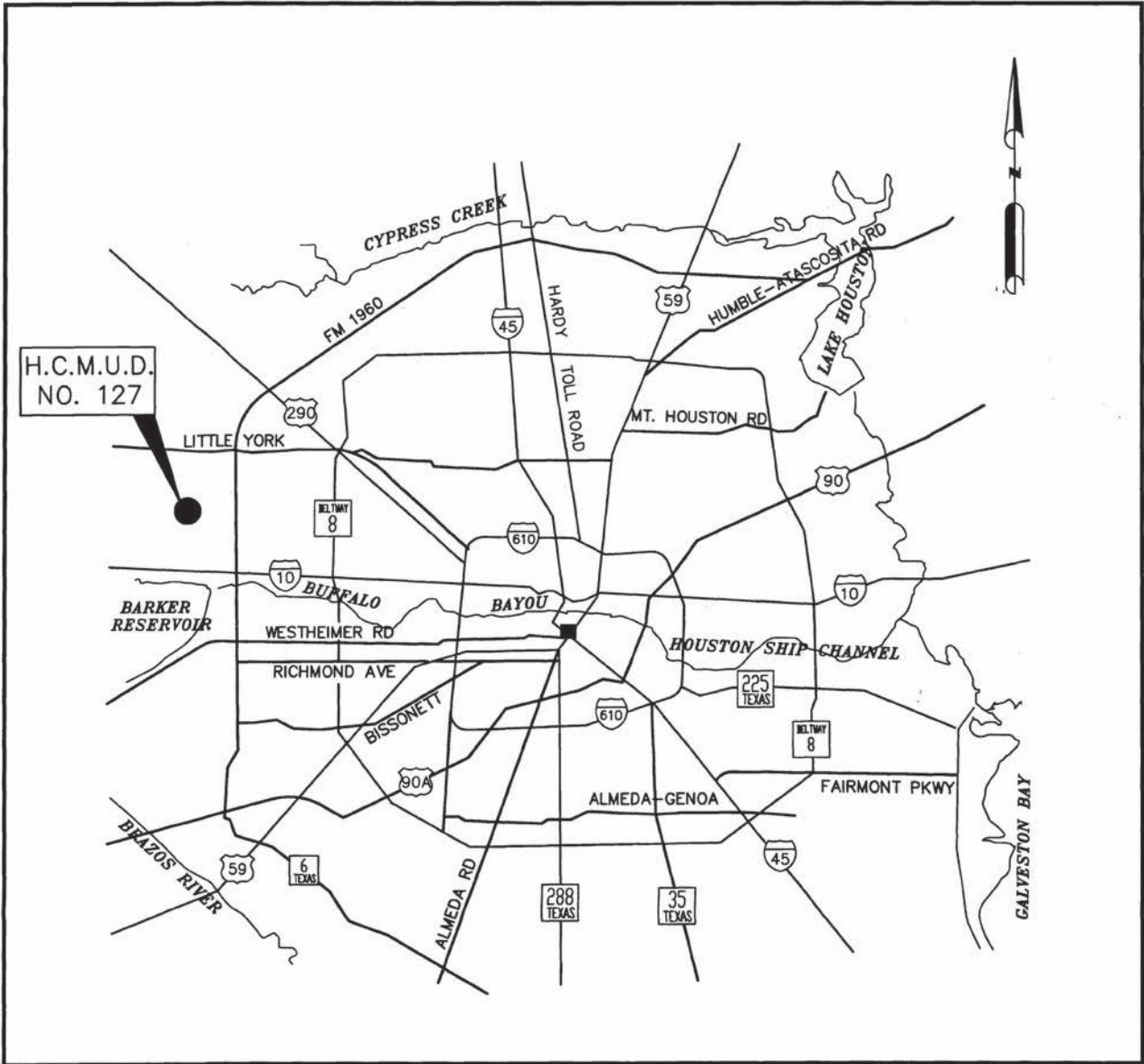
Secretary, Board of Directors  
Harris County Municipal  
Utility District No. 127





APPENDIX A

LOCATION MAP



LOCATION MAP  
N.T.S.

**Edminster • Hinshaw • Russ**  
and associates  
civil engineers • surveyors • land planners  
10555 westoffice drive, houston, texas 77042  
t 713 784 4500 f 713 784 4577 www.ehrr.com

**HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 127**

**LOCATION MAP  
THIRD BOND ISSUE**

SHEET 1 OF 1	SCALE: N.T.S.	JOB NO. 98008-82-00
CAD FILE: LOCATION	DRAWING NO.	



**APPENDIX B**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127**

**HARRIS COUNTY, TEXAS**

**ANNUAL AUDIT REPORT**

**DECEMBER 31, 2023**



HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 127  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
DECEMBER 31, 2023

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# Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

April 8, 2024

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Municipal  
Utility District No. 127  
Harris County, Texas

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 127 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 127's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 127, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 127, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Harris County Municipal Utility District No. 127'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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

My 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 my 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, I: 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 Harris County Municipal Utility District No. 127'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 127's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 127's basic financial statements. The supplementary information on Pages 24 to 41 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 127 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as security services and garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

#### *Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 16,537,424	\$ 15,941,528	\$ 595,896
Capital assets	<u>15,515,272</u>	<u>12,150,014</u>	<u>3,365,258</u>
Total assets	<u>32,052,696</u>	<u>28,091,542</u>	<u>3,961,154</u>
Long-term liabilities	17,036,338	12,644,732	4,391,606
Other liabilities	<u>2,123,133</u>	<u>2,099,029</u>	<u>24,104</u>
Total liabilities	<u>19,159,471</u>	<u>14,743,761</u>	<u>4,415,710</u>
Total deferred inflows of resources	<u>2,717,643</u>	<u>2,672,140</u>	<u>45,503</u>
Net position:			
Invested in capital assets, net of related debt	(2,512,907)	(1,468,739)	(1,044,168)
	3,004,207	2,926,603	77,604
Unrestricted	<u>9,684,282</u>	<u>9,217,777</u>	<u>466,505</u>
Total net position	<u>\$ 10,175,582</u>	<u>\$ 10,675,641</u>	<u>\$ (500,059)</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,702,034	\$ 2,648,602	\$ 53,432
Charges for services	2,946,961	2,839,836	107,125
Other revenues	<u>672,920</u>	<u>193,296</u>	<u>479,624</u>
Total revenues	<u>6,321,915</u>	<u>5,681,734</u>	<u>640,181</u>
Expenses:			
Service operations	5,927,992	3,696,024	2,231,968
Debt service	<u>893,982</u>	<u>206,041</u>	<u>687,941</u>
Total expenses	<u>6,821,974</u>	<u>3,902,065</u>	<u>2,919,909</u>
Change in net position	(500,059)	1,779,669	(2,279,728)
Net position, beginning of year	<u>10,675,641</u>	<u>8,895,972</u>	<u>1,779,669</u>
Net position, end of year	<u>\$ 10,175,582</u>	<u>\$ 10,675,641</u>	<u>\$ (500,059)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended December 31, 2023, were \$12,796,117, an increase of \$645,908 from the prior year.

The General Fund balance increased by \$468,605, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$129,335, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$47,968, as proceeds of the Series 2023 bonds and interest earnings exceeded authorized expenditures.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of December 31, 2023, was expected to be \$7,498,045 and the actual end of year fund balance was \$9,668,508.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 486,591	\$ 35,150	\$ 451,441
Detention ponds	1,769,924	0	1,769,924
Construction in progress	5,091,666	6,960,101	(1,868,435)
Water facilities	2,730,977	1,941,451	789,526
Sewer facilities	5,436,114	3,213,312	2,222,802
Totals	<u>\$ 15,515,272</u>	<u>\$ 12,150,014</u>	<u>\$ 3,365,258</u>

Changes to capital assets during the fiscal year ended December 31, 2023, are summarized as follows:

Additions:		
Park trails		\$ 647,188
Community center and other structures		87,023
Detention improvements		21,346
Improvements at joint facilities		251,832
Utilities constructed by developers		4,152,000
Total additions to capital assets		<u>5,159,389</u>
Decreases:		
Transfer of subdivision drainage system to Harris County		(1,378,161)
Depreciation		<u>(415,970)</u>
Net change to capital assets		<u>\$ 3,365,258</u>

#### *Debt*

On February 14, 2023, the District issued its \$8,090,000 Series 2023 unlimited tax bonds.

Changes in the bonded debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 6,945,000
Sale of bonds	8,090,000
Bonds paid	(945,000)
Bonded debt payable, end of year	<u>\$ 14,090,000</u>

At December 31, 2023, the District had \$18,190,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The Series 2012, 2015 and 2023 bonds have an underlying rating of A+ by Standard & Poor's. The Series 2012 bonds are insured by Assured Guaranty Municipal Corp. The Series 2023 bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2012 and 2023 bonds is AA by Standard & Poor's. The Series 2015 and 2016 bonds are not insured. The issue rating of the 2015 bonds is A+ by Standard & Poor's. The Series 2016 bonds are not rated. There were changes in the underlying rating of the Series 2012, 2015 and 2023 bonds during the year ended December 31, 2023. The rating was upgraded due to the improved financial outlook of the District.

As further described in Note 5 of the notes to the financial statements, developers within the District have constructed water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At December 31, 2023, the estimated amount due to the developers for this purpose was \$4,152,000.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

As of December 31, 2023, the District's tax base increased approximately \$58,890,000 for the 2023 tax year (approximately 11%), due to the increase in average valuation on taxable property within the District.

### *Relationship to the City of Houston*

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

### *Water Supply Issues*

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. As required by the Subsidence District, the District's groundwater reduction plan ("GRP") has been approved by the Subsidence District and the District has provided evidence to the Subsidence District that the District has completed the construction of the infrastructure defined within the District's certified groundwater reduction plan. The Subsidence District designated January 2010 as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025 as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035 as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the Subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the Subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's surface water pumpage fee was equal to \$3.95 as of December 31, 2023, and is expected to increase in the future. The Authority's surface water usage fee was equal to \$4.35 as of December 31, 2023, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due to the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water rates. In the event the Authority fails to meet the requirements of the Subsidence District by the established deadlines, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water rates. This disincentive fee would be in addition to the Authority's fee.

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2023

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 502,652	\$ 100,589	\$ 352	\$ 603,593	\$	\$ 603,593
Temporary investments, at cost, Note 7	9,606,380	2,017,849	1,157,194	12,781,423		12,781,423
Receivables:						
Property taxes	1,567,024	965,879		2,532,903		2,532,903
Accrued penalty and interest on property taxes				0	11,618	11,618
Service accounts	328,103			328,103		328,103
Other	2,219			2,219		2,219
Due from Regional Authority, Note 10	69,731			69,731		69,731
Maintenance taxes collected not yet transferred from other fund	42,628			42,628	(42,628)	0
Due from other fund	9,835			9,835	(9,835)	0
Operating reserves at joint facilities, Note 9	177,770			177,770		177,770
Groundwater bank certificates, at cost, Note 11	30,064			30,064		30,064
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	3,196,181	3,196,181
Depreciable capital assets				0	8,167,091	8,167,091
<b>Total assets</b>	<b>\$12,336,406</b>	<b>\$ 3,084,317</b>	<b>\$ 1,157,546</b>	<b>\$16,578,269</b>	<b>11,322,427</b>	<b>27,900,696</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 459,611	\$ 818	\$ 10,259	\$ 470,688		470,688
Construction contracts payable	79,036			79,036		79,036
Accrued interest payable				0	159,069	159,069
Customer and builder deposits	422,499			422,499		422,499
Maintenance taxes collected not yet transferred to other fund		42,628		42,628	(42,628)	0
Due to other fund			9,835	9,835	(9,835)	0
Long-term liabilities, Note 5:						
Due within one year				0	991,841	991,841
Due in more than one year				0	12,884,338	12,884,338
<b>Total liabilities</b>	<b>961,146</b>	<b>43,446</b>	<b>20,094</b>	<b>1,024,686</b>	<b>13,982,785</b>	<b>15,007,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>1,706,752</u>	<u>1,050,714</u>	<u>0</u>	<u>2,757,466</u>	<u>(39,823)</u>	<u>2,717,643</u>
<b>FUND BALANCES / NET POSITION</b>						
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Operating reserve at joint facilities, Note 9	177,770			177,770	(177,770)	0
Groundwater bank certificates, Note 11	30,064			30,064	(30,064)	0
Committed to construction contracts in progress	6,000			6,000	(6,000)	0
<b>Assigned to:</b>						
Debt service		1,990,157		1,990,157	(1,990,157)	0
Capital projects			1,137,452	1,137,452	(1,137,452)	0
Unassigned	<u>9,454,674</u>			<u>9,454,674</u>	<u>(9,454,674)</u>	<u>0</u>
<b>Total fund balances</b>	<b>9,668,508</b>	<b>1,990,157</b>	<b>1,137,452</b>	<b>12,796,117</b>	<b>(12,796,117)</b>	<b>0</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$12,336,406</b>	<b>\$ 3,084,317</b>	<b>\$ 1,157,546</b>	<b>\$16,578,269</b>		
<b>Net position:</b>						
Invested in capital assets, net of related debt, Note 4					(2,512,907)	(2,512,907)
Restricted for debt service					1,866,755	1,866,755
Restricted for capital projects					1,137,452	1,137,452
Unrestricted					<u>9,684,282</u>	<u>9,684,282</u>
<b>Total net position</b>					<b>\$ 10,175,582</b>	<b>\$ 10,175,582</b>

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



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

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

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 1,309,744	\$ 1,368,346	\$	\$ 2,678,090	\$ (8,517)	\$ 2,669,573
Water service	636,338			636,338		636,338
Sewer service	1,256,656			1,256,656		1,256,656
Surface water fees, Note 10	942,291			942,291		942,291
Penalty, interest and other	111,676	38,191		149,867	(5,730)	144,137
Interest on deposits and investments	488,063	128,292	56,565	672,920		672,920
Total revenues	<u>4,744,768</u>	<u>1,534,829</u>	<u>56,565</u>	<u>6,336,162</u>	<u>(14,247)</u>	<u>6,321,915</u>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Purchased services, Note 9	1,627,699			1,627,699		1,627,699
Professional fees	169,615	16,456		186,071		186,071
Contracted services	281,101	51,775		332,876		332,876
Repairs, maintenance and other operating expenditures	593,476			593,476		593,476
Security service	155,486			155,486		155,486
Garbage disposal	570,393			570,393		570,393
Administrative expenditures	76,233	13,959	530	90,722		90,722
Depreciation				0	415,970	415,970
Capital outlay / non-capital outlay	802,160		6,833,668	7,635,828	(6,257,667)	1,378,161
Debt service:						
Principal retirement		945,000		945,000	(945,000)	0
Bond issuance expenditures			447,732	447,732		447,732
Interest and fees		378,304	577,138	955,442	67,946	1,023,388
Total expenditures / expenses	<u>4,276,163</u>	<u>1,405,494</u>	<u>7,859,068</u>	<u>13,540,725</u>	<u>(6,718,751)</u>	<u>6,821,974</u>
Excess (deficiency) of revenues over expenditures	<u>468,605</u>	<u>129,335</u>	<u>(7,802,503)</u>	<u>(7,204,563)</u>	<u>6,704,504</u>	<u>(500,059)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued, Note 5		239,529	7,850,471	8,090,000	(8,090,000)	0
Bond issuance discount, Note 5		(239,529)		(239,529)	239,529	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>7,850,471</u>	<u>7,850,471</u>	<u>(7,850,471)</u>	<u>0</u>
Net change in fund balances / net position	468,605	129,335	47,968	645,908	(1,145,967)	(500,059)
Beginning of year	<u>9,199,903</u>	<u>1,860,822</u>	<u>1,089,484</u>	<u>12,150,209</u>	<u>(1,474,568)</u>	<u>10,675,641</u>
End of year	<u>\$ 9,668,508</u>	<u>\$ 1,990,157</u>	<u>\$ 1,137,452</u>	<u>\$ 12,796,117</u>	<u>\$ (2,620,535)</u>	<u>\$ 10,175,582</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 2023

## NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 127 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective April 1, 1975, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on March 13, 1975, and the first bonds were sold on September 17, 1984. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Water Commission and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

As further described in Note 9, the District is a participant in the Harris County Municipal Utility Districts No. 127 and No. 239 Joint Water and Sewer Facilities (the "Facilities"). Oversight of the Facilities is exercised jointly by the Boards of Directors of Harris County Municipal Utility Districts No. 127 and No. 239. Accordingly, activities of the Facilities have not been reported in the financial statements of the District. Based upon the application of the criteria described in the preceding paragraph, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 12,796,117
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		15,515,272
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (14,090,000)	
Issuance discounts, net of premiums (to be amortized as interest expense)	178,216	
Deferred charge on refunding (to be amortized as interest expense)	35,605	
Due to developers	<u>(4,152,000)</u>	(18,028,179)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	11,618	
Uncollected property taxes	<u>39,823</u>	51,441
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(159,069)</u>
Net position, end of year		<u>\$ 10,175,582</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 645,908
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay plus change in capital assets at joint venture	\$ 6,257,667	
Depreciation	<u>(415,970)</u>	5,841,697
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued	(8,090,000)	
Principal reduction	<u>945,000</u>	(7,145,000)
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(17,379)	
Issuance discount, net of premium	<u>276,514</u>	259,135
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	(5,730)	
Uncollected property taxes	<u>(8,517)</u>	(14,247)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>(87,552)</u>
Change in net position		<u>\$ (500,059)</u>

**NOTE 4: CAPITAL ASSETS**

At December 31, 2023, "Invested in capital assets, net of related debt" was \$(2,512,907). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets. Each participant records its share of the capital assets of the Facilities in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 35,150	\$ 451,441	\$	\$ 486,591
Detention ponds		1,769,924		1,769,924
Construction in progress	<u>6,960,101</u>	<u>5,112,784</u>	<u>6,981,219</u>	<u>5,091,666</u>
Total capital assets not being depreciated	<u>6,995,251</u>	<u>7,334,149</u>	<u>6,981,219</u>	<u>7,348,181</u>
Depreciable capital assets:				
Water system	4,480,424	954,924		5,435,348
Sewer system	<u>6,215,954</u>	<u>2,473,374</u>		<u>8,689,328</u>
Total depreciable capital assets	<u>10,696,378</u>	<u>3,428,298</u>	<u>0</u>	<u>14,124,676</u>
Less accumulated depreciation for:				
Water system	(2,538,973)	(165,398)		(2,704,371)
Sewer system	<u>(3,002,642)</u>	<u>(250,572)</u>		<u>(3,253,214)</u>
Total accumulated depreciation	<u>(5,541,615)</u>	<u>(415,970)</u>	<u>0</u>	<u>(5,957,585)</u>
Total depreciable capital assets, net	<u>5,154,763</u>	<u>3,012,328</u>	<u>0</u>	<u>8,167,091</u>
Total capital assets, net	<u>\$ 12,150,014</u>	<u>\$ 10,346,477</u>	<u>\$ 6,981,219</u>	<u>\$ 15,515,272</u>
Changes to capital assets:				
Capital outlay		\$ 6,257,667	\$	
Assets transferred to non-depreciable assets		2,221,365	2,221,365	
Assets transferred to depreciable assets		3,381,693	3,381,693	
Increase in estimated value of developer construction		4,152,000		
Capital outlay paid (decrease in liability) to developer		(6,628,439)		
Transfer of drainage system to Harris County		1,378,161	1,378,161	
Depreciation expense for the fiscal year		<u>(415,970)</u>		
Net increases / decreases to capital assets		<u>\$ 10,346,477</u>	<u>\$ 6,981,219</u>	

**NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES**

Long-term liability activity for the fiscal year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 6,945,000	\$ 8,090,000	\$ 945,000	\$ 14,090,000	\$ 985,000
Less deferred amounts:					
Refunding charges	(52,984)		(17,379)	(35,605)	(14,090)
Issuance premium less issuance (discount)	<u>98,298</u>	<u>(239,529)</u>	<u>36,985</u>	<u>(178,216)</u>	<u>20,931</u>
Total bonds payable	<u>6,990,314</u>	<u>7,850,471</u>	<u>964,606</u>	<u>13,876,179</u>	<u>991,841</u>
Due to developers (see below)	<u>6,628,439</u>	<u>4,152,000</u>	<u>6,628,439</u>	<u>4,152,000</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 13,618,753</u>	<u>\$ 12,002,471</u>	<u>\$ 7,593,045</u>	<u>\$ 18,028,179</u>	<u>\$ 991,841</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 985,000	\$ 477,208	\$ 1,462,208
2025	1,015,000	441,306	1,456,306
2026	715,000	404,013	1,119,013
2027	740,000	388,927	1,128,927
2028	645,000	373,312	1,018,312
2029 - 2033	3,540,000	1,557,257	5,097,257
2034 - 2038	4,390,000	926,437	5,316,437
2039 - 2040	<u>2,060,000</u>	<u>124,600</u>	<u>2,184,600</u>
	<u>\$ 14,090,000</u>	<u>\$ 4,693,060</u>	<u>\$ 18,783,060</u>
Bonds voted			\$ 45,295,000
Bonds approved for sale and sold			26,385,000
Bonds voted and not issued			18,910,000
Refunding bonds voted			15,500,000
Refunding bonds sold			7,725,000
Refunding bonds voted and not issued			7,775,000

The bond issues payable at December 31, 2023, were as follows:

	<u>Refunding Series 2012</u>	<u>Series 2015</u>	<u>Refunding Series 2016</u>
Amounts outstanding, December 31, 2023	\$1,640,000	\$2,545,000	\$1,815,000
Interest rates	4.00%	3.00%	2.11%
Maturity dates, serially beginning/ending	September 1, 2024/2025	September 1, 2028/2031	September 1, 2024/2027
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2019*	September 1, 2022*	September 1, 2023*
	<u>Series 2023</u>		
Amounts outstanding, December 31, 2023	\$8,090,000		
Interest rates	3.125% to 4.00%		
Maturity dates, serially beginning/ending	September 1, 2028/2040		
Interest payment dates	March 1/September 1		
Callable dates	September 1, 2028*		

\*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

Developers within the District have constructed certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from either property tax revenues as specified by agreement or the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at December 31, 2023, was \$4,152,000. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District 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.

At an election held on August 13, 1983, the voters within the District authorized a maintenance tax without limitation as to rate or amount on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 9, 2023, the District levied the following ad valorem taxes for the 2023 tax year and the 2024 fiscal year on the adjusted taxable valuation of \$603,920,692:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.1700	\$ 1,026,665
Maintenance	<u>0.2800</u>	<u>1,690,978</u>
	<u>\$ 0.4500</u>	<u>\$ 2,717,643</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2023 tax year total property tax levy	\$ 2,717,643
2023 tax year total property tax levy deferred to 2024 fiscal year	(2,717,643)
2022 tax year total property tax levy deferred to 2023 fiscal year	2,672,139
Appraisal district adjustments to prior year taxes	<u>(2,566)</u>
Statement of Activities property tax revenues	<u>\$ 2,669,573</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$603,593 and the bank balance was \$965,098. Of the bank balance, \$368,390 was covered by federal insurance and \$518,542 was covered by the market value of collateral held by the District's custodial bank in the District's name and \$78,166 was unsecured. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$12,781,423.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash	\$ 100,589
Temporary investments	<u>2,017,849</u>
	<u>\$ 2,118,438</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 352
Temporary investments	<u>1,157,194</u>
	<u>\$ 1,157,546</u>

**NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At December 31, 2023, the District had physical damage and boiler and machinery coverage of \$17,250,000, comprehensive general liability and pollution liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$500,000 and a tax assessor-collector bond of \$50,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## NOTE 9: JOINT VENTURES

Harris County Municipal Utility Districts No. 127 and No. 239 entered into the Restated Water and Sewer Facilities Agreement on February 25, 1999, as amended January 1, 2000, April 24, 2003, March 5, 2008 and October 11, 2021. The term of the contract is sixty years. The contract was entered into for the purpose of sharing the financing, construction, operation, use and expansion of joint water production and wastewater treatment facilities (the "Facilities"). The Facilities consist of a water plant and wastewater treatment plant located within the boundaries of No. 127 and a second water plant located within the boundaries of No. 239. The facilities within No. 127 are operated by No. 127's contract operator and the facility within No. 239 is operated by No. 239's contract operator.

Ownership of each participating district's operating capacity in the water plants is as follows: Harris County Municipal Utility District No. 127 -- 53.77%; Harris County Municipal Utility District No. 239 -- 46.23%. Ownership of each participating district's operating capacity in the expanded wastewater treatment plant is as follows: Harris County Municipal Utility District No. 127 -- 56.92%; Harris County Municipal Utility District No. 239 -- 43.08%.

Construction costs of the Facilities are funded by the contribution of funds from each participating district. Expansion costs of the Facilities are to be based upon each district's share of the expansion. The Facilities issues no debt. Operating costs are shared by the districts in proportion to the capacity owned. The districts are billed a monthly amount which is based upon actual costs incurred during the prior month. No. 127 bills the participants for the shared costs of operating the facilities within its boundaries and No. 239 bills the participants for the shared costs of operating the facilities within its boundaries.

The District's share of the cost of operating the joint water supply and sewage treatment facilities was \$738,598 and \$533,069, respectively, for the year ended December 31, 2023. In addition, the District's share of capital improvements to the joint water supply and sewage treatment facilities were \$234,084 and \$17,748, respectively. The District's share of the cost of operating the joint water supply facilities managed by No. 239 were \$356,032. At December 31, 2023, the District's share of the \$152,750 operating reserve at the joint facilities managed by No. 127 was \$76,375 and the District's share of the \$188,572 operating reserve at the joint facilities managed by No. 239 was \$101,395.

## NOTE 10: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2003. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of December 31, 2023, the Authority had established a pumpage fee of \$3.95 per 1,000 gallons of water pumped from each regulated well. This fee is expected to increase in the future. The Authority's surface water usage fee was equal to \$4.35 per 1,000 gallons as of December 31, 2023. This fee is expected to increase in the future. The District billed its customers \$942,291 during the fiscal year to pay for the fees charged by the Authority. The District's pumpage fees payable to the Authority are paid through the joint water supply facilities as described in Note 9.

No. 239 has constructed modifications to the joint water plant managed by No. 239 to enable it to receive and process surface water from the Authority. The Authority's rate order states that the Authority will reimburse the District for the cost of required modifications within certain limitations. The District has advanced funds for this purpose in the amount of \$69,731. This amount has been recorded as a receivable from the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## NOTE 11: GROUNDWATER BANK CERTIFICATES

The District has purchased Groundwater Bank certificates directly from the issuer, the Harris-Galveston Subsidence District (the "HGSD"). These certificates expire in 20 years and allow the bearer to pump the quantity of water specified on the certificate from wells instead of using surface water as mandated by the HGSD. Certificates can also be used in lieu of the disincentive fee assessed by the HGSD for ground water pumpage in excess of the District's permit as amended. At December 31, 2023, the District had in its possession certificates totaling 69,048 thousand gallons of water. The District values the certificates at cost which resulted in a total cost basis for the certificates on hand of \$30,064 at December 31, 2023.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 1,181,194	\$ 1,181,194	\$ 1,309,744	\$ 128,550
Water service	575,000	575,000	636,338	61,338
Sewer service	1,300,000	1,300,000	1,256,656	(43,344)
Surface water fees	850,000	850,000	942,291	92,291
Penalty and other	55,000	55,000	111,676	56,676
Tap connection and inspection fees	10,000	10,000	0	(10,000)
Interest on deposits and investments	<u>200,500</u>	<u>200,500</u>	<u>488,063</u>	<u>287,563</u>
<b>TOTAL REVENUES</b>	<u>4,171,694</u>	<u>4,171,694</u>	<u>4,744,768</u>	<u>573,074</u>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	2,231,852	2,231,852	1,627,699	(604,153)
Professional fees	113,000	113,000	169,615	56,615
Contracted services	225,600	225,600	281,101	55,501
Repairs, maintenance and other operating expenditures	905,600	905,600	593,476	(312,124)
Security services	145,000	145,000	155,486	10,486
Garbage disposal	620,000	620,000	570,393	(49,607)
Administrative expenditures	82,500	82,500	76,233	(6,267)
Capital outlay	<u>1,550,000</u>	<u>1,550,000</u>	<u>802,160</u>	<u>(747,840)</u>
<b>TOTAL EXPENDITURES</b>	<u>5,873,552</u>	<u>5,873,552</u>	<u>4,276,163</u>	<u>(1,597,389)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	(1,701,858)	(1,701,858)	468,605	2,170,463
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>9,199,903</u>	<u>9,199,903</u>	<u>9,199,903</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 7,498,045</u>	<u>\$ 7,498,045</u>	<u>\$ 9,668,508</u>	<u>\$ 2,170,463</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

DECEMBER 31, 2023

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2023

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$12.50	3,000	N	\$1.00 1.25 1.50	3,001 to 10,000 10,001 to 20,000 Over 20,000

WASTEWATER: \$42.96 Y

SURCHARGE: \$4.35 per 1,000 gallons of water used – WHCRWA surface water fee.

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$19.50 Wastewater: \$42.96 Surcharge: \$43.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

SCHEDULE OF SERVICES AND RATES (Continued)

DECEMBER 31, 2023

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	0	0	1.0	0
< or = 3/4"	2,623	2,585	1.0	2,585
1"	29	29	2.5	73
1-1/2"	8	8	5.0	40
2"	12	12	8.0	96
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	1	1	50.0	50
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>2,673</u>	<u>2,635</u>		<u>2,844</u>
Total Wastewater	<u>2,638</u>	<u>2,597</u>	1.0	<u>2,597</u>

\*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 423,029  
 Gallons billed to customers (unaudited): 402,072

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 95%

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

Does the District have Debt Service standby fees? Yes  No

If yes, date of the most recent Commission Order: \_\_\_\_\_

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

If yes, date of the most recent Commission Order: \_\_\_\_\_



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Purchased services:				
Water billed by the joint facilities managed by the District	\$ 738,598	\$	\$	\$ 738,598
Water billed by the joint facilities managed by No. 239	356,032			356,032
Sewer	533,069			533,069
	<u>1,627,699</u>	<u>0</u>	<u>0</u>	<u>1,627,699</u>
Professional fees:				
Auditing	10,950			10,950
Legal	69,791	16,456		86,247
Engineering	88,874			88,874
	<u>169,615</u>	<u>16,456</u>	<u>0</u>	<u>186,071</u>
Contracted services:				
Bookkeeping	16,334			16,334
Operation and billing	264,767			264,767
Tax assessor-collector		31,674		31,674
Central appraisal district		20,101		20,101
	<u>281,101</u>	<u>51,775</u>	<u>0</u>	<u>332,876</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	563,970			563,970
Laboratory costs	15,193			15,193
Utilities	3,763			3,763
TCEQ assessment	9,666			9,666
Other	884			884
	<u>593,476</u>	<u>0</u>	<u>0</u>	<u>593,476</u>
Security service	<u>155,486</u>	<u>0</u>	<u>0</u>	<u>155,486</u>
Garbage disposal	<u>570,393</u>	<u>0</u>	<u>0</u>	<u>570,393</u>
Administrative expenditures:				
Director's fees	29,083			29,083
Insurance	13,051	250		13,301
Permits	4,497			4,497
Communications/website	8,698			8,698
Other	20,904	13,709	530	35,143
	<u>76,233</u>	<u>13,959</u>	<u>530</u>	<u>90,722</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

EXPENDITURES (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	<u>\$ 802,160</u>	<u>\$</u>	<u>\$ 6,833,668</u>	<u>\$ 7,635,828</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>945,000</u>	<u>0</u>	<u>945,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>447,732</u>	<u>447,732</u>
Interest and fees:				
Interest		377,054	577,138	954,192
Paying agent fees		1,250		1,250
	<u>0</u>	<u>378,304</u>	<u>577,138</u>	<u>955,442</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 4,276,163</u></u>	<u><u>\$ 1,405,494</u></u>	<u><u>\$ 7,859,068</u></u>	<u><u>\$ 13,540,725</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 3,367,325	\$ 1,418,161	\$ 56,565	\$ 4,842,051
Maintenance tax receipts		1,256,030		1,256,030
Transfer of maintenance taxes	1,307,395			1,307,395
Increase in customer and builder deposits	8,352			8,352
Proceeds from sale of bonds			7,850,471	7,850,471
Reimbursement from other fund	15,564			15,564
Overpayments from taxpayers		<u>25,787</u>		<u>25,787</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>4,698,636</u>	<u>2,699,978</u>	<u>7,907,036</u>	<u>15,305,650</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	3,572,993	82,356	530	3,655,879
Capital outlay	723,124		6,813,574	7,536,698
Debt service		1,323,304	1,024,870	2,348,174
Other fund	9,835			9,835
Transfer of maintenance taxes		1,307,395		1,307,395
Reimbursement to other fund			15,564	15,564
Refund of taxpayer overpayments		<u>25,787</u>		<u>25,787</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>4,305,952</u>	<u>2,738,842</u>	<u>7,854,538</u>	<u>14,899,332</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	392,684	(38,864)	52,498	406,318
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>9,716,348</u>	<u>2,157,302</u>	<u>1,105,048</u>	<u>12,978,698</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$10,109,032</u>	<u>\$ 2,118,438</u>	<u>\$ 1,157,546</u>	<u>\$13,385,016</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

SCHEDULE OF TEMPORARY INVESTMENTS

DECEMBER 31, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2670300002	Market	On demand	<u>\$ 9,606,380</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 2670300001	Market	On demand	<u>\$ 2,017,849</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2564000005	Market	On demand	<u>\$ 1,157,194</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 12,781,423</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 1,133,234	\$ 1,192,300
Additions and corrections to prior year taxes	<u>(1,158)</u>	<u>(1,408)</u>
Adjusted receivable, beginning of year	1,132,076	1,190,892
2023 ADJUSTED TAX ROLL	<u>1,690,978</u>	<u>1,026,665</u>
Total to be accounted for	2,823,054	2,217,557
Tax collections: Current tax year	(139,728)	(84,835)
Prior tax years	<u>(1,116,302)</u>	<u>(1,166,843)</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,567,024</u>	<u>\$ 965,879</u>
RECEIVABLE, BY TAX YEAR		
2013 and prior	\$ 1,667	\$ 4,537
2014	599	1,406
2015	659	1,318
2016	725	1,255
2017	758	1,224
2018	769	1,183
2019	969	1,614
2020	898	1,632
2021	1,717	2,575
2022	7,013	7,305
2023	<u>1,551,250</u>	<u>941,830</u>
RECEIVABLE, END OF YEAR	<u>\$ 1,567,024</u>	<u>\$ 965,879</u>

Fiscal year 2023 General Fund property tax revenue of \$1,309,744 under the modified accrual basis of accounting is comprised of prior tax year collections of \$1,116,302 during fiscal year 2023 and 2022 tax year collections of \$193,442 during fiscal year 2022.

Fiscal year 2023 Debt Service Fund property tax revenue of \$1,368,346 under the modified accrual basis of accounting is comprised of prior tax year collections of \$1,166,843 during fiscal year 2023 and 2022 tax year collections of \$201,503 during fiscal year 2022.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

ADJUSTED PROPERTY VALUATIONS  
AS OF JANUARY 1 OF TAX YEAR

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 141,214,273	\$ 114,843,741	\$ 106,760,813	\$ 70,264,718
Improvements	524,602,562	476,038,359	363,510,110	251,707,908
Personal property	8,124,964	8,963,506	6,095,952	5,370,355
Less exemptions	<u>(70,021,107)</u>	<u>(54,817,024)</u>	<u>(23,098,637)</u>	<u>(16,456,751)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 603,920,692</u>	 <u>\$ 545,028,582</u>	 <u>\$ 453,268,238</u>	 <u>\$ 310,886,230</u>

TAX RATES PER \$100 VALUATION

Debt service tax rates	\$ 0.17000	\$ 0.25000	\$ 0.33000	\$ 0.40000
Maintenance tax rates*	<u>0.28000</u>	<u>0.24000</u>	<u>0.22000</u>	<u>0.22000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.45000</u>	 <u>\$ 0.49000</u>	 <u>\$ 0.55000</u>	 <u>\$ 0.62000</u>

TAX ROLLS	<u>\$ 2,717,643</u>	<u>\$ 2,670,640</u>	<u>\$ 2,492,975</u>	<u>\$ 1,927,495</u>
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PERCENT OF TAXES COLLECTED  
TO TAXES LEVIED

<u>8.3%**</u>	<u>99.5 %</u>	<u>99.8 %</u>	<u>99.9 %</u>
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\*Maximum tax rate approved by voters on August 13, 1983: Without limitation.

\*\*The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	Series 2012		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$ 800,000	\$ 65,600	\$ 865,600
2025	840,000	33,600	873,600
TOTALS	\$ 1,640,000	\$ 99,200	\$ 1,739,200

<u>Due During Fiscal Years Ending December 31</u>	Series 2015		
	Principal Due March 1	Interest Due March 1, September 1	Total
2024	\$	\$ 76,350	\$ 76,350
2025		76,350	76,350
2026		76,350	76,350
2027		76,350	76,350
2028	585,000	76,350	661,350
2029	620,000	58,800	678,800
2030	650,000	40,200	690,200
2031	690,000	20,700	710,700
TOTALS	\$ 2,545,000	\$ 501,450	\$ 3,046,450

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

<u>Series 2016</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$ 185,000	\$ 38,296	\$ 223,296
2025	175,000	34,393	209,393
2026	715,000	30,701	745,701
2027	<u>740,000</u>	<u>15,614</u>	<u>755,614</u>
TOTALS	<u>\$ 1,815,000</u>	<u>\$ 119,004</u>	<u>\$ 1,934,004</u>

<u>Series 2023</u>			
<u>Due During Fiscal Years Ending December 31</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2024	\$	\$ 296,962	\$ 296,962
2025		296,963	296,963
2026		296,962	296,962
2027		296,963	296,963
2028	60,000	296,962	356,962
2029	45,000	294,563	339,563
2030	35,000	292,762	327,762
2031	15,000	291,363	306,363
2032	725,000	290,762	1,015,762
2033	760,000	268,107	1,028,107
2034	800,000	243,406	1,043,406
2035	835,000	216,406	1,051,406
2036	875,000	188,225	1,063,225
2037	920,000	157,600	1,077,600
2038	960,000	120,800	1,080,800
2039	1,005,000	82,400	1,087,400
2040	<u>1,055,000</u>	<u>42,200</u>	<u>1,097,200</u>
TOTALS	<u>\$ 8,090,000</u>	<u>\$ 3,973,406</u>	<u>\$ 12,063,406</u>

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

DECEMBER 31, 2023

<u>Due During Fiscal Years Ending December 31</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2024	\$ 985,000	\$ 477,208	\$ 1,462,208
2025	1,015,000	441,306	1,456,306
2026	715,000	404,013	1,119,013
2027	740,000	388,927	1,128,927
2028	645,000	373,312	1,018,312
2029	665,000	353,363	1,018,363
2030	685,000	332,962	1,017,962
2031	705,000	312,063	1,017,063
2032	725,000	290,762	1,015,762
2033	760,000	268,107	1,028,107
2034	800,000	243,406	1,043,406
2035	835,000	216,406	1,051,406
2036	875,000	188,225	1,063,225
2037	920,000	157,600	1,077,600
2038	960,000	120,800	1,080,800
2039	1,005,000	82,400	1,087,400
2040	<u>1,055,000</u>	<u>42,200</u>	<u>1,097,200</u>
TOTALS	<u>\$ 14,090,000</u>	<u>\$ 4,693,060</u>	<u>\$ 18,783,060</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2012	2015	2016
Interest Rate:	4.00%	3.00%	2.11%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	September 1, 2024/2025	September 1, 2028/2031	September 1, 2024/2027
Bonds Outstanding at Beginning of Current Year	\$ 2,400,000	\$ 2,545,000	\$ 2,000,000
Less Retirements	<u>(760,000)</u>	<u>0</u>	<u>(185,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,640,000</u>	<u>\$ 2,545,000</u>	<u>\$ 1,815,000</u>
Current Year Interest Paid	<u>\$ 96,000</u>	<u>\$ 76,350</u>	<u>\$ 42,200</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 127 Unlimited Tax Refunding Bonds, Series 2012 (\$7,580,000)
- (2) Harris County Municipal Utility District No. 127 Unlimited Tax Bonds, Series 2015 (\$2,545,000)
- (3) Harris County Municipal Utility District No. 127 Unlimited Tax Refunding Bonds, Series 2016 (\$3,000,000)

Paying Agent/Registrar

- (1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
- (3) Branch Banking & Trust Company, Houston, Texas

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>(4)</u>	<u>Totals</u>
Bond Series:	2023	
Interest Rate:	3.125% to 4.00%	
Dates Interest Payable:	March 1/ September 1	
Maturity Dates:	September 1, 2028/2040	
Bonds Outstanding at Beginning of Current Year	\$	\$ 6,945,000
Add Bonds Sold	8,090,000	8,090,000
Less Retirements	<u>                    </u>	<u>(945,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 8,090,000</u>	<u>\$ 14,090,000</u>
Current Year Interest Paid	<u>\$ 162,504</u>	<u>\$ 377,054</u>

Bond Descriptions and Original Amount of Issue

(4) Harris County Municipal Utility District No. 127 Unlimited Tax Bonds, Series 2023 (\$8,090,000)

Paying Agent/Registrar

(4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 45,295,000	\$ 0	\$ 15,500,000
Amount Issued:	26,385,000		7,725,000
Remaining to be Issued:	18,910,000		7,775,000

Net Debt Service Fund deposits and investments balances as of December 31, 2023: \$1,990,157  
Average annual debt service payment for remaining term of all debt: 1,104,886

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES</b>										
Property taxes	\$ 1,309,744	\$ 997,339	\$ 671,792	\$ 703,231	\$ 677,654	27.5 %	25.0 %	20.0 %	18.8 %	17.8 %
Water service	636,338	629,103	608,490	535,300	495,742	13.4	15.8	18.2	14.3	13.0
Sewer service	1,256,656	1,260,713	1,264,330	1,221,977	1,010,863	26.5	31.7	37.7	32.7	26.6
Surface water fees	942,291	859,072	782,528	697,287	531,854	19.9	21.6	23.4	18.7	14.0
Penalty and other	111,676	71,508	186	10,490	49,820	2.4	1.8	0.0	0.3	1.3
Tap connection and inspection fees	0	19,440	19,325	518,935	915,840	0.0	0.5	0.6	13.9	24.1
Interest on deposits and investments	488,063	144,813	4,161	47,871	122,296	10.3	3.6	0.1	1.3	3.2
<b>TOTAL REVENUES</b>	<b>4,744,768</b>	<b>3,981,988</b>	<b>3,350,812</b>	<b>3,735,091</b>	<b>3,804,069</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Current:										
Purchased services	1,627,699	1,584,058	1,336,065	1,168,097	936,008	34.3	39.7	40.0	31.2	24.6
Professional fees	169,615	137,574	108,197	81,347	78,922	3.6	3.5	3.2	2.2	2.1
Contracted services	281,101	259,986	227,635	207,797	176,341	5.9	6.5	6.8	5.6	4.6
Repairs, maintenance and other operating expenditures	593,476	354,502	388,822	272,191	209,703	12.5	8.9	11.6	7.2	5.5
Security service	155,486	141,574	120,417	133,093	90,810	3.3	3.6	3.6	3.6	2.4
Garbage disposal	570,393	553,560	520,698	431,573	331,747	12.0	13.9	15.5	11.6	8.7
Administrative expenditures	76,233	102,890	80,247	67,563	56,503	1.6	2.6	2.4	1.8	1.5
Capital outlay	802,160	328,953	67,842	299,423	314,920	16.9	8.3	2.0	8.0	8.3
<b>TOTAL EXPENDITURES</b>	<b>4,276,163</b>	<b>3,463,097</b>	<b>2,849,923</b>	<b>2,661,084</b>	<b>2,194,954</b>	<b>90.1</b>	<b>87.0</b>	<b>85.1</b>	<b>71.2</b>	<b>57.7</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 468,605</b>	<b>\$ 518,891</b>	<b>\$ 500,889</b>	<b>\$ 1,074,007</b>	<b>\$ 1,609,115</b>	<b>9.9 %</b>	<b>13.0 %</b>	<b>14.9 %</b>	<b>28.8 %</b>	<b>42.3 %</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>2,635</b>	<b>2,632</b>	<b>2,629</b>	<b>2,643</b>	<b>2,186</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>2,597</b>	<b>2,598</b>	<b>2,595</b>	<b>2,571</b>	<b>2,162</b>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND

FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES</b>										
Property taxes	\$ 1,368,346	\$ 1,499,737	\$ 1,221,128	\$ 1,171,747	\$ 1,042,871	89.1 %	88.5 %	98.6 %	97.2 %	94.8 %
Penalty and interest	38,191	164,927	17,649	23,349	14,351	2.5	9.7	1.4	1.9	1.3
Interest on deposits and investments	128,292	30,921	556	10,345	43,175	8.4	1.8	0.0	0.9	3.9
<b>TOTAL REVENUES</b>	<u>1,534,829</u>	<u>1,695,585</u>	<u>1,239,333</u>	<u>1,205,441</u>	<u>1,100,397</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>EXPENDITURES</b>										
Current:										
Professional fees	16,456	51,282	6,239	7,338	4,446	1.1	3.0	0.5	0.6	0.4
Contracted services	51,775	57,612	35,221	34,132	31,801	3.4	3.4	2.8	2.8	2.9
Other expenditures	13,959	3,174	8,350	7,429	7,395	0.9	0.2	0.7	0.6	0.7
Debt service:										
Principal retirement	945,000	915,000	885,000	835,000	810,000	61.6	54.0	71.4	69.3	73.6
Interest and fees	378,304	248,059	281,274	310,616	333,314	24.6	14.6	22.7	25.8	30.3
<b>TOTAL EXPENDITURES</b>	<u>1,405,494</u>	<u>1,275,127</u>	<u>1,216,084</u>	<u>1,194,515</u>	<u>1,186,956</u>	<u>91.6</u>	<u>75.2</u>	<u>98.1</u>	<u>99.1</u>	<u>107.9</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>\$ 129,335</u>	<u>\$ 420,458</u>	<u>\$ 23,249</u>	<u>\$ 10,926</u>	<u>\$ (86,559)</u>	<u>8.4 %</u>	<u>24.8 %</u>	<u>1.9 %</u>	<u>0.9 %</u>	<u>(7.9) %</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

DECEMBER 31, 2023

Complete District Mailing Address: Harris County Municipal Utility District No. 127  
c/o Strawn & Richardson, P.C.  
1155 Dairy Ashford, Suite 875  
Houston, Texas 77079

District Business Telephone No.: 713-864-5466

Submission date of the most recent District Registration Form: January 31, 2024

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Maureen Herzog c/o Strawn & Richardson, P.C. 1155 Dairy Ashford, Suite 875 Houston, Texas 77079	Elected 11/08/22- 11/03/26	\$ 7,200	\$ 1,956	President
Katherine Zamora c/o Strawn & Richardson, P.C. 1155 Dairy Ashford, Suite 875 Houston, Texas 77079	Elected 11/08/22- 11/03/26	7,200	1,906	Vice President
Katrina Ortega c/o Strawn & Richardson, P.C. 1155 Dairy Ashford, Suite 875 Houston, Texas 77079	Elected 11/03/20- 11/05/24	7,200	2,715	Secretary
Don Baylor c/o Strawn & Richardson, P.C. 1155 Dairy Ashford, Suite 875 Houston, Texas 77079	Elected 11/03/20- 11/05/24	2,526	0	Assistant Secretary
Simona Brooks c/o Strawn & Richardson, P.C. 1155 Dairy Ashford, Suite 875 Houston, Texas 77079	Elected 11/03/20- 11/05/24	4,957	161	Director

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 127

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

DECEMBER 31, 2023

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements*</u>	<u>Title at Year End</u>
Strawn & Richardson, P.C. 1155 Dairy Ashford, Suite 875 Houston, Texas 77079	10/08/08	\$ 69,041 163,024 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	3/06/96	16,456	Delinquent Tax Attorney
District Data Services, Inc. P.O. Box 79349 Houston, Texas 77279	11/01/83	20,259 3,000 Bonds	Bookkeeper
Stephanie Viator P.O. Box 79349 Houston, Texas 77279	4/04/07	0	Investment Officer
H2O Consulting, Inc. 5870 Highway 6 North, Suite 215 Houston, Texas 77084	8/02/00	1,074,724	Operator
Edminster, Hinshaw, Russ & Associates, Inc. 10555 Westoffice Drive Houston, Texas 77042	5/06/98	241,643 50,951 Bonds	Engineer
Equi-Tax, Inc. P.O. Box 73109 Houston, Texas 77273	3/13/85	43,916	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	20,101	Central Appraisal District
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/07/03	163,300 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950 District 3,675 JF 5,950 Bonds	Independent Auditor

\*Includes Joint Facilities.

See accompanying independent auditor's report.







