

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

THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 413951

RATINGS: Underlying “A-” (outlook stable) S&P
BAM Insured “AA” (outlook stable) S&P

See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

\$8,100,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 304

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

UNLIMITED TAX BONDS

SERIES 2025

Dated: December 1, 2025

Due: September 1 (as shown below)

Interest on the Bonds (the “Bonds” or the “Series 2025 Bonds”) will accrue from December 1, 2025, and will be payable on March 1 and September 1 of each year, commencing March 1, 2026. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar 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” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS – Paying Agent/Registrar.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”).



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$265,000	2036 (b)	4.000%	3.500%	\$430,000	2046 (b)	4.125%	4.250%
\$280,000	2037 (b)	4.000%	3.600%	\$455,000	2047 (b)	4.125%	4.270%
\$295,000	2038 (b)	4.000%	3.700%	\$475,000	2048 (b)	4.250%	4.300%
\$305,000	2039 (b)	4.000%	3.800%	\$500,000	2049 (b)	4.250%	4.350%
\$320,000	2040 (b)	4.000%	3.900%	\$525,000	2050 (b)	4.250%	4.400%
\$340,000	2041 (b)	4.000%	3.950%	\$550,000	2051 (b)	4.250%	4.410%
\$355,000	2042 (b)	4.000%	4.050%	\$580,000	2052 (b)	4.375%	4.420%
\$375,000	2043 (b)	4.000%	4.100%	\$610,000	2053 (b)	4.375%	4.430%
\$390,000	2044 (b)	4.000%	4.150%	\$640,000	2054 (b)	4.375%	4.450%
\$410,000	2045 (b)	4.000%	4.200%				

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after September 1, 2036, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on September 1, 2032, or on any date thereafter, at a price equal to the par value 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, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 304 (the “District”) to: (1) fund the District’s wastewater treatment plant expansion project; and (2) pay bond issuance expenses. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP. The District will be advised on certain legal matters concerning disclosure by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 18, 2025.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1
SALE AND DISTRIBUTION OF THE BONDS	1
CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12.....	2
MUNICIPAL BOND RATING	4
BOND INSURANCE.....	4
OFFICIAL STATEMENT SUMMARY	6
DEBT SERVICE REQUIREMENTS	10
INTRODUCTION.....	11
RISK FACTORS	11
USE OF BOND PROCEEDS.....	19
THE DISTRICT.....	20
THE DEVELOPERS IN THE DISTRICT	23
THE SYSTEM	23
MANAGEMENT OF THE DISTRICT	26
DISTRICT INVESTMENT POLICY.....	26
DISTRICT DEBT	27
DISTRICT TAX DATA.....	28
TAXING PROCEDURES.....	30
ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION	34
THE BONDS	35
BOOK-ENTRY-ONLY SYSTEM.....	39
LEGAL MATTERS.....	40
TAX MATTERS.....	41
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS.....	44
OFFICIAL STATEMENT	44
MISCELLANEOUS	45
AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT	A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY	B

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, 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 Norton Rose Fulbright US LLP, 1550 Lamar Street, Suite 2000, Houston, Texas 77010-4106, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or 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.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by The Baker Group LP (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.005038% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.338635%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities 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.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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 PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF

THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the Bond Order (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 certain material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT" (except for "Estimated Overlapping Debt)," "DISTRICT TAX DATA," and "APPENDIX A" (Audited Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements 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 current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District shall notify the MSRB via EMMA, in a timely manner not in excess of ten (10) business days, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of beneficial owners of the Bonds, if material;
- (8) bond calls, if material, and tender offers;

- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person;
- (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule.

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

Limitations and Amendments

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

The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with the Bond Order or otherwise, except as expressly provided therein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR REGISTERED OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE BOND ORDER, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

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

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws. The provisions of the Bond Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of

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

Compliance with Prior Undertakings

Due to an administrative oversight, the District did not timely file its rating change in 2022, its annual reports for fiscal year ended August 31, 2022, and its annual reports for fiscal year ended August 31, 2023. The District has since filed its disclosure and implemented procedures for future filings. Otherwise, during the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District made application to S&P Global Ratings (“S&P”) which assigned the underlying rating of “A-” (outlook stable) on the Bonds based upon the District’s underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that S&P’s rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P assigned its municipal bond insured rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See “BOND INSURANCE.”

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com/>.

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a

recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The \$8,100,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"), are dated December 1, 2025. The Bonds represent the eighth series of water, sewer, and drainage bonds to be issued by Harris County Municipal Utility District No. 304 (the "District"). The Bonds mature on September 1 in the years shown in the table of the cover page of this Official Statement. Interest on the Bonds is payable semiannually on March 1, 2026, and each September 1 and March 1 until maturity or prior redemption. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District, and an election held within the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after September 1, 2036, are subject to early redemption, in whole or in part, on September 1, 2032, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in 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 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."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) fund the District's wastewater treatment plant expansion project; and (2) pay bond issuance expenses. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Norton Rose Fulbright US LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Houston, Texas.
- Payment Record:** This is the District's eighth bond issue. The District has never defaulted in the payment of principal or interest on any bonds or outstanding obligations.
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Qualified Tax Exempt Obligations:** The District have designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
- Municipal Bond Rating:** In connection with the sale of the Bonds, the District made a formal application for a rating with S&P. S&P has assigned a rating of "A-" (outlook stable) on the Bonds based upon the District's underlying credit without bond insurance. See "MUNICIPAL BOND RATING."
- Bond Insurance:** S&P assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

THE DISTRICT

Description:

The District, as it was originally created, included approximately 321.515 acres. Since its creation, the District has not excluded any tracts of land but has annexed a 169.717-acre tract of land, a 14.221-acre tract of land, a 9.137-acre tract of land, a 133.601-acre tract of land, a 16.18-acre tract of land, a 2.554-acre tract of land, and a 24.823-tract of land. The District currently includes approximately 691.748 acres. The District is located within the extraterritorial jurisdiction of the City of Houston. The District is located approximately 17 miles north of the City of Houston’s central business district in northwest Harris County. The District is located approximately three miles west of Interstate Highway 45 on Spears Road and Rankin Road. According to the District’s engineer, none of the developed land or developable land within the District would be subject to flooding during a hypothetical 100-year flood. See “THE DISTRICT.”

Status of Land Development:

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	407.88	(a)
Under Development	0	(b)
Remaining Developable Acreage	164.99	
Undevelopable Acreage	<u>118.88</u>	(c)
TOTAL	691.75	

- (a) Represents the developed acres located in SilverGlen Estates (Sections 1 & 2), SilverGlen (Sections 1-5), SilverGlen North (Sections 1-12, 14-15), SilverGlen North, Model Homes, SilverGlen West (Section 1), SilverLeaf, SilverChase, Alfalah, Echo Leaf, and SilverGlen Townhomes.
- (b) No acreage currently under development.
- (c) Includes detention/ drainage (7.13 acres), District facilities sites (2 acres), recreational center (2.08 acres), landscape and open spaces (37.49 acres), pipeline sites (12.70 acres), drill sites (11.18 acres) and school sites (46.30 acres).

Homebuilding Development:

As of September 1, 2025, there were 1,929 completed homes, 0 homes under construction and 0 vacant developed lots. As of September 1, 2025, approximately 1,910 homes in the District were occupied. Homes have been constructed in subdivisions known as SilverGlen Estates (Sections 1 & 2), SilverGlen (Sections 1-5), SilverGlen North (Sections 1-12, 14-15), SilverGlen West (Section 1), SilverLeaf, SilverChase, Echo Leaf, and SilverGlen Townhomes.

The Developers:

There are no active land developers currently developing land in the District. Land developers who have been active in the District in the past included, among other developers, DS SilverGlen North LLC (who developed approximately 1,641 lots within the District); SilverChase-2007, LP (who developed approximately 100 lots within the District); Alfalah, Inc. (who developed approximately 72 lots within the District); and Silver Leaf-2005, LP (who developed approximately 116 lots within the District).

The System:

The District’s water supply facilities include a 1,200 gallon-per-minute (“g.p.m.”) water well, a 525,000 gallon ground storage tank, two 20,000 gallon pressure tanks, four 1,100 g.p.m. booster pumps, and appurtenant facilities. The District also receives up to 600,000 galls per day of surface water from the Central Harris County Regional Water Authority (the “Authority”). According to the District’s Engineer, the aforementioned water supply facilities are sufficient to approximately 2,625 ESFCs which is adequate to provide water service to the existing development that has been undertaken within the District.

The District has a contract with the Authority to convert its groundwater supply system to a surface water supply system. The Authority has extended surface water lines adjacent to the District’s facilities, and once completed, the District will use surface water as its primary source. The District also has constructed interconnection lines to receive temporary water from Harris County Municipal Utility District No. 217 and Rankin Road West Municipal Utility District in case of a system failure.

The District owns and operates a 650,000 gpd permanent wastewater treatment plant. According to the District’s Engineer, this plant is sufficient to serve approximately 2,600 ESFCs, which is adequate to serve the present needs of the District. Bond proceeds will be used to rehabilitate and expand the District’s existing wastewater treatment plant. Upon a completion of the to be funded with Bond proceeds, the District’s wastewater treatment plant will be capable of serving approximately 3,600 ESFCs.

Storm water within the District drains through underground lines into Harris County Flood Control District (“HCFCD”) Ditch P-145-00-00, which outfalls into Greens Bayou. The District has received approximately 89 acres of detention credit for its construction of the storm sewer collection system.

100-Year Flood Plain: The District lies partially within the published 100-year flood plain, as depicted on Federal Emergency Management Agency Flood Insurance Rate Map for Harris County, No. 48201C0455L, Panel 455 dated February 18, 2009, Zone X and AE of Harris County Flood Control District P-145-00-00. The District reported no flooding of homes during Hurricane Harvey. See "THE SYSTEM."

SELECTED FINANCIAL INFORMATION
(Unaudited)

5/9/2025 Estimated Taxable Value	\$534,763,325	(a)
1/1/2025 Taxable Value	\$535,308,408	(b)
Direct Debt:		
Outstanding Bonds (as of November 1, 2025)	\$9,300,000	
The Bonds	<u>\$8,100,000</u>	
Total Direct Debt	\$17,400,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$25,065,579</u>	
Direct and Estimated Overlapping Debt	\$42,465,579	
Percentage of Direct Debt to:		
5/9/2025 Estimated Taxable Value	3.25%	
1/1/2025 Taxable Value	3.25%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
5/9/2025 Estimated Taxable Value	7.94%	
1/1/2025 Taxable Value	7.93%	
See "DISTRICT DEBT"		
2025 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.26	
Maintenance Tax	<u>\$0.38</u>	
Total 2025 Tax Rate	\$0.64	
Cash and Temporary Investment Balances as of September 30, 2025		
General Fund	\$7,547,372	
Debt Service Fund	\$1,202,111	(c)

-
- (a) Reflects data supplied by the Harris Central Appraisal District ("HCAD"). The Estimated Taxable Value as of 5/9/2025 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (b) Reflects the 2025 Taxable Value according to data supplied to the District by HCAD. The figure above consists of \$510,766,836 of property that has been fully certified by HCAD and approximately 90% of the value of property that is currently still in the certification process (\$27,268,414) that will ultimately be certified according to HCAD. See "DISTRICT TAX DATA."
- (c) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. The figure above reflects a negative adjustment for the debt service payment to be made on September 1, 2025. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the District's outstanding bonds and the debt service requirements for the Bonds.

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Plus: Debt Service on the 2025 Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2026	\$1,227,000	-	\$252,820	\$1,479,820
2027	\$1,222,800	-	\$337,094	\$1,559,894
2028	\$1,227,400	-	\$337,094	\$1,564,494
2029	\$1,230,400	-	\$337,094	\$1,567,494
2030	\$1,226,800	-	\$337,094	\$1,563,894
2031	\$1,226,800	-	\$337,094	\$1,563,894
2032	\$1,305,200	-	\$337,094	\$1,642,294
2033	\$1,308,800	-	\$337,094	\$1,645,894
2034	\$1,310,400	-	\$337,094	\$1,647,494
2035	-	-	\$337,094	\$337,094
2036	-	\$265,000	\$337,094	\$602,094
2037	-	\$280,000	\$326,494	\$606,494
2038	-	\$295,000	\$315,294	\$610,294
2039	-	\$305,000	\$303,494	\$608,494
2040	-	\$320,000	\$291,294	\$611,294
2041	-	\$340,000	\$278,494	\$618,494
2042	-	\$355,000	\$264,894	\$619,894
2043	-	\$375,000	\$250,694	\$625,694
2044	-	\$390,000	\$235,694	\$625,694
2045	-	\$410,000	\$220,094	\$630,094
2046	-	\$430,000	\$203,694	\$633,694
2047	-	\$455,000	\$185,956	\$640,956
2048	-	\$475,000	\$167,188	\$642,188
2049	-	\$500,000	\$147,000	\$647,000
2050	-	\$525,000	\$125,750	\$650,750
2051	-	\$550,000	\$103,438	\$653,438
2052	-	\$580,000	\$80,063	\$660,063
2053	-	\$610,000	\$54,688	\$664,688
2054	-	<u>\$640,000</u>	<u>\$28,000</u>	<u>\$668,000</u>
TOTALS	\$11,285,600	\$8,100,000	\$7,205,977	\$26,591,577

Maximum Annual Debt Service Requirements (2034)\$1,647,494

\$0.33 tax rate on the 5/9/2025 Estimated Taxable Value of \$534,763,325
 @ 95% collections produces\$1,676,483

\$0.33 tax rate on the 1/1/2025 Taxable Value of \$535,308,408 (a)
 @ 95% collections produces\$1,678,192

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

(a) Reflects the 2025 Taxable Value according to data supplied to the District by HCAD. The figure above consists of \$510,766,836 of property that has been fully certified by HCAD and approximately 90% of the value of property that is currently still in the certification process (\$27,268,414) that will ultimately be certified according to HCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

OFFICIAL STATEMENT

relating to

\$8,100,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 304
(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX BONDS
SERIES 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$8,100,000 Harris County Municipal Utility District No. 304 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Constitution and general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an order (the "Bond Order") adopted by the Board of Directors of Harris County Municipal Utility District No. 304 (the "District"), an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District and its financial condition, and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

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 taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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, the District must obtain the approval of the Texas Commission on Environmental Quality ("TCEQ") prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if 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.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in 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 Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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 the District.

Approval of the Bonds

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

Economic Factors

The maintenance of taxable values in the District is directly related to the local housing and building industry. The housing/building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. A return of relatively high mortgage interest rates may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

The availability of mortgage and development funds have a direct impact on construction and building activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect

home purchasers ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and therefore taxable value in the District.

The Houston metropolitan area has, during the past, experienced economic downturns (especially during periods of relatively low oil and natural gas prices). These factors could affect the demand for residential homes and commercial development and hence the maintenance of property values or the maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, could have an adverse impact on sale prices for homes and, consequently, could materially adversely affect property values or, in some instances, cause builders to abandon home building plans altogether.

Potential Effects of Oil Price Volatility on the Houston Area

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

Dependence on Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Maximum Debt Service Tax Rate if No Growth in Taxable Value

In 2025, the District levied a debt service tax of \$0.26 per \$100 of assessed valuation. Tax rates in future years may be higher. After the issuance of the Bonds, the maximum annual debt service requirement will be \$1,647,494 (2034). Should no development occur in the District beyond that reflected by its 2025 Taxable Valuation, a debt service tax rate of \$0.33 per \$100 assessed valuation at 95% collection, would be required to pay the District's maximum annual debt service requirements, including the Bonds. See “– Future Debt” herein and "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Landowners/Developers under No Obligation to the District

Neither the Developers nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developers) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developers) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See “DISTRICT TAX DATA – Principal Taxpayers.”

Dependence on Principal Taxpayers

Based upon the 2025 certified tax rolls, the top ten taxpayers are responsible for approximately 7.35% of the District's 2025 taxes. The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. The District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See “THE DEVELOPERS IN THE DISTRICT” and “DISTRICT TAX DATA – Principal Taxpayers.”

Future Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$30,271,760	For certain water, sanitary sewer, and storm water facilities and for refunding

After the issuance of the Bonds, the District will have \$1,760 of unlimited tax water, sanitary sewer, and storm water facilities bonds that remain authorized but unissued and \$29,272,626.95 of refunding bonds that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money Bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds 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 for the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. However, before the District could issue park bonds payable from taxes, the following actions would be required: (a) adoption of a park plan; (b) approval by the voters of the District of Bonds for parks and recreational facilities; (c) approval of a City ordinance authorizing park bonds; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, 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 more than three percent of the value of the taxable property in the District. The Board is not considering adopting a park plan, seeking voter authorization of park and recreational facilities bonds, and issuing parks and recreational facilities bonds at this time.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

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

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

The District’s stormwater discharges currently maintain permit coverage through the Phase I Municipal Separate Storm Sewer 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 and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Governor has called two special session and may call additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District nor the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Severe Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., “500-year flood” events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. According to the District’s engineer, the District’s facilities did not experience any significant damage or problems as a result of Winter storm Uri, however, the District’s administration building sustained a ruptured pipe, for which an insurance claim was filed. The District cannot predict the impact of future winter weather events.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flooding - Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm’s wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Hurricane Beryl

Hurricane Beryl made landfall along the Texas Gulf Coast on July 8, 2024, and brought high levels of wind and rainfall to the Houston metropolitan area, including the District. According to the District’s Engineer, there were no interruptions of water and sewer service as a result of Hurricane Beryl. According to District’s Engineer, the District’s system did not sustain any material damage from Hurricane Beryl. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other significant damage as a result of Hurricane Beryl.

Temporary Tax Exemptions for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area, and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill

imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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

Atlas 14

The National Weather Service recently 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.

Harris County and City of Houston Flood Plain Regulations

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018, and the new and amended City of Houston regulations took effect on September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City of Houston's extraterritorial jurisdiction.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

Increase In Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened impositions of tariffs) may impact the ability of the developer or homebuilders in the District to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact the developer's ability to construct utility facilities and a homebuilder's ability to construct homes within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developer or any home builder.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) fund the District's wastewater treatment plant expansion project; and (2) pay bond issuance expenses.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

	<u>Total Amount</u>
CONSTRUCTION COSTS	
<i>District Items</i>	
Wastewater Treatment Plant Expansion	\$5,838,000
Contingencies	\$583,800
Engineering	<u>\$963,270</u>
Total District Items	\$7,385,070
TOTAL CONSTRUCTION COSTS	\$7,385,070
NON-CONSTRUCTION COSTS	
Legal Fees	\$222,750
Financial Agent Fees	\$121,500
Bond Discount	\$242,592
Bond Issuance Costs	\$50,455
Engineering Report Costs	\$48,875
Attorney General Fee	\$8,100
TCEQ Bond Issuance Fee	\$20,250
Contingency	<u>\$408</u> (a)
TOTAL NON-CONSTRUCTION COSTS	\$714,930
TOTAL BOND ISSUE REQUIREMENT	<u>\$8,100,000</u>

(a) Represents the difference between the estimated and actual amount of Bond Discount. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the TCEQ, dated May 1, 1985, 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, Texas, is subject to the continuing supervisory jurisdiction of the TCEQ.

Under certain limited circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

In order to obtain the consent of the City of Houston (the "City"), within whose extraterritorial jurisdiction the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 321.515 acres. Since its creation, the District has not excluded any tracts of land but has annexed a 169.717-acre tract of land, a 14.221-acre tract of land, a 9.137-acre tract of land, a 133.601-acre tract of land, a 16.18-acre tract of land, a 2.554-acre tract of land, and a 24.823-tract of land. The District currently includes approximately 691.748 acres. The District is located within the extraterritorial jurisdiction of the City of Houston. The District is located approximately 17 miles north of the City of Houston's central business district in northwest Harris County. The District is located approximately three miles west of Interstate Highway 45 on Spears Road and Rankin Road. According to the District's engineer, none of the developed land or developable land within the District would be subject to flooding during a hypothetical 100-year flood.

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	407.88	(a)
Under Development	0	(b)
Remaining Developable Acreage	164.99	
Undevelopable Acreage	<u>118.88</u>	(c)
TOTAL	691.75	

(a) Represents the developed acres located in SilverGlen Estates (Sections 1 & 2), SilverGlen (Sections 1-5), SilverGlen North (Sections 1-12, 14-15), SilverGlen West (Section 1), SilverGlen North, Model Homes, Alfalah, SilverLeaf, SilverChase, Echo Leaf, and SilverGlen Townhomes.

(b) No acreage currently under development.

(c) Includes detention/ drainage (7.13 acres), District facilities sites (2 acres), recreational center (2.08 acres), landscape and open spaces (37.49 acres), pipeline sites (12.70 acres), drill sites (11.18 acres) and school sites (46.30 acres).

Homebuilding Development

An approximate tabulation of the single-family residences within the District as of November 1, 2025, is shown on the table below:

<u>Section</u>	<u>Acreage</u> (a)	<u>Total Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
SilverGlen Estates (Sections 1 & 2)	42.46	150	150	0	0
SilverGlen (Sections 1-5)	47.9	186	186	0	0
SilverGlen North (Sections 1-12, 14-15)	236.25	1031	1031	0	0
SilverGlen West (Section 1)	39.2	175	175	0	0
SilverGlen North, Model Homes	5.43	20	20	0	0
SilverLeaf	26.79	116	116	0	0
Alfalah	9.14	72	72	0	0
SilverChase	25.73	100	100	0	0
Echo Leaf	5.31	36	36	0	0
SilverGlen Townhomes	6.06	43	43	0	0
TOTAL	444.27	1,929	1,929 (b)	0	0

-
- (a) The average figures below include open spaces and undevelopable land located in each subdivision.
 - (b) As of November 1, 2025, approximately 1,910 homes in the District were occupied.

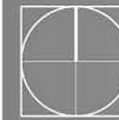
AERIAL PHOTOGRAPH



Harris County Municipal Utility District No. 304

Within City of Houston, Harris County, TX

0 500 1,000 feet
1 inch = 500 feet



NORTH

This map is a compilation of collected data. The relative positions of the collected data are approximate. EHRA, Inc. assumes no responsibility for any errors which may have occurred.

Coordinate System: State Plane,
NAD 83, Texas South Central



ENGINEERING THE FUTURE
SINCE 1938
JOB NO.
151-057-00
June 2025

THE DEVELOPERS IN THE DISTRICT

Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developers

There are no active land developers currently developing land in the District. Land developers who have been active in the District in the past included, among other developers, DS SilverGlen North LLC (who developed approximately 1,641 lots within the District); SilverChase-2007, LP (who developed approximately 100 lots within the District); Alfalah, Inc. (who developed approximately 72 lots within the District); and Silver Leaf-2005, LP (who developed approximately 116 lots within the District).

No owner of the currently undeveloped land within the District has an obligation to the District to develop such land. The District makes no representation or warranty regarding the timing, nature, or extent of any future development, and no assurance can be given that any such development will be undertaken.

THE SYSTEM

Description of the System

The water, wastewater and storm drainage facilities of the District and the accompanying rights of use therein are described below based upon information obtained from the District's records.

- Water Supply -

The District's water supply facilities include a 1,200 gallon-per-minute ("g.p.m.") water well, a 525,000 gallon ground storage tank, two 20,000 gallon pressure tanks, four 1,100 g.p.m. booster pumps, and appurtenant facilities. The District also receives up to 600,000 galls per day of surface water from the Central Harris County Regional Water Authority (the "Authority"). According to the District's Engineer, the aforementioned water supply facilities are sufficient to approximately 2,625 ESFCs which is adequate to provide water service to the existing development that has been undertaken within the District.

The District has a contract with the Authority to convert the District's ground water supply system to a surface water supply system. See "Subsidence and Conversion to Surface Water Supply" below. The Authority has previously extended surface water supply lines adjacent to the District's water supply facility and is currently working on extending the lines internally within the supply facility. Upon completion, the District will utilize surface water as its primary source of water supply.

The District has constructed water interconnection lines which connect the District's water supply and distribution system with the water supply and distribution system of Harris County Municipal Utility District No. 217 and Rankin Road West Municipal Utility District. The District is entitled to receive water from each of such other districts for a temporary period if a failure occurs in the District's water supply and distribution system.

- Wastewater Treatment Facilities –

The District has previously financed, and owns and operates, a 650,000 gpd permanent wastewater treatment plant. According to the District's Engineer, the aforementioned wastewater treatment facilities are sufficient to provide capacity to serve approximately 2,166 ESFCs.

The District is currently expanding the wastewater treatment plant in part with proceeds of the Bonds. Such expansion, when completed, will increase the wastewater treatment plant capacity to 900,000 gpd. Upon completion of the wastewater treatment plant expansion, the District's wastewater treatment plant capacity will be capable of serving 3,600 ESFC's.

Storm water within the District generally drains through underground lines within existing rights-of-way into Harris County Flood Control District ("HCFCD") Ditch P-145-00-00 which outfalls into Greens Bayou. The ditch was constructed as a joint project between the District and Rankin Road West MUD. The watershed in Greens Bayou requires that an impact fee be paid to Harris County Flood Control District (HCFCD) or that detention facilities be provided within the designated subregional detention pond site owned by HCFCD. The District has received approximately 89 acres of detention credit as a result of constructing the storm sewer collection system within the existing rights-of-way of T.C. Jester Boulevard, Walters Road, Wellington Boulevard, and Hillcrest Drive.

100-Year Flood Plain

The District lies partially within the published 100-year flood plain, as depicted on Federal Emergency Management Agency Flood Insurance Rate Map for Harris County, No. 48201C0455L, Panel 455 dated February 18, 2009, Zone B of Harris County Flood Control District P-145-00-00. The District reported no flooding of homes during Hurricane Harvey.

Subsidence and Conversion to Surface Water Supply

The District is within the Harris-Galveston Coastal 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 has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. The Subsidence District designated January 2010, as the date required for the District to have restricted the withdrawal of ground water and convert 30% of its total water use to surface water, January 2020, as the date required for the District to restrict the withdrawal of ground water and convert 70% of its total water use to surface water and January 2030, 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 furtherance of the Subsidence District's mandate to reduce groundwater pumpage and to convert to surface water, the Authority was created and granted the responsibility of developing a regional groundwater reduction plan ("GRP") for the groundwater permittees within its boundaries, including the District (the "Authority Permittees"). The Authority has also been charged with locating a source of surface water for certain of the Authority Permittees and with developing and constructing the infrastructure needed to deliver the surface water to the Authority Permittees to satisfy the Authority's GRP. In that regard, the Authority has contracted to purchase surface water from the City of Houston, including a beneficial interest in certain infrastructure required to produce and deliver such surface water. The Authority has also contracted to purchase a beneficial interest in certain infrastructure constructed or to be constructed by the North Harris County Regional Water Authority. The Authority is also in the process of financing, designing and constructing a water supply system to provide treated surface water to certain Authority Permittees. The Authority funds its operations and expenses through the assessment of a groundwater pumpage fee. The current fee is \$4.08 per 1,000 gallons of water pumped; however, such fee will increase as more infrastructure is constructed and the District is required to pay its share of the capital costs to construct the infrastructure and to deliver surface water to the Authority Permittees as well as to pay for the costs of maintaining and operating the District's own water supply system. Further, for converted customers, the Authority assesses a surface water fee. The current surface water fee is \$4.42 per 1,000 gallons of surface water received. The Authority is not authorized to levy and collect ad valorem taxes.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

Fiscal Year Ended August 31 (a)					
REVENUES	2024	2023	2022	2021	2020
Water service	\$742,838	\$753,043	\$703,096	\$798,612	\$641,753
Sewer service	\$1,310,016	\$1,256,247	\$1,254,637	\$1,182,897	\$1,168,085
Property taxes	\$1,909,545	\$1,760,066	\$1,707,555	\$1,527,819	\$1,354,820
Penalties and interest	\$27,548	\$23,768	\$59,849	\$44,820	\$32,595
Regional water authority fees	\$605,117	\$628,101	\$607,871	\$537,149	\$585,909
Tap connection and inspection	\$9,678	\$49,240	\$4,833	\$26,386	\$166,955
Miscellaneous	\$306,152	\$17,038	\$23,353	\$103,400	\$133,922
Investment earnings	\$361,983	\$210,690	\$35,973	-	-
TOTAL REVENUES	\$5,272,877	\$4,698,193	\$4,397,167	\$4,221,083	\$4,084,039
EXPENDITURES					
Current service operations:					
Personnel	\$106,007	\$45,674	\$50,395	-	-
Professional fees	\$629,610	\$471,223	\$455,188	\$279,232	\$219,207
Contracted services	\$1,090,749	\$772,496	\$769,208	\$639,174	\$562,691
Repairs and maintenance	\$882,158	\$947,473	\$110,852	\$684,999	\$508,647
Utilities	\$90,552	\$82,070	\$95,474	\$99,774	\$92,325
Regional water authority fees	\$746,366	\$698,647	\$655,881	\$656,875	\$789,688
Administrative	\$112,693	\$177,693	\$153,454	-	-
Other	\$61,423	\$27,385	\$21,546	\$395,947	\$467,477
Capital outlay (b)	\$364,177	\$1,654,631	\$513,447	\$158,510	\$1,420,779
Debt service					
Interest and fees		\$5,183			
Cash defeasance		\$1,315,000			
TOTAL EXPENDITURES	\$4,083,735	\$6,197,475	\$2,825,445	\$2,914,511	\$4,060,814
NET CHANGE IN FUND BALANCE	\$1,189,142	(\$1,499,282)	\$1,571,722	\$1,306,572	\$23,225

(a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended August 31, 2024.

(b) As of September 30, 2025, the District's General Fund had an unaudited cash and investment balance of approximately \$7,547,372. For the fiscal year ended August 31, 2025, the District's General Fund experienced unaudited revenues of approximately \$5,214,828 and unaudited operating expenditures of approximately \$4,700,202. Additionally, the District paid for \$754,936 of capital expenditures out of the General Fund in Fiscal Year 2025. For the Fiscal Year ending August 31, 2026, the District is budgeting total revenues of \$5,614,096 and operating expenditures of \$4,155,216. Additionally, the District is budgeting \$915,000 of capital expenditures to be paid from the General Fund in Fiscal Year 2026.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. All of the directors reside in the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Sharon Mayo	President	2028
Geri Scott	Vice President	2028
Sandra Ford	Secretary	2026
LaFrances Moses	Director	2026
Larry Gene Allen Sr.	Director	2028

The District has contracted for general management, bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

General Manager – The District's General Manager is Desmond LeBlanc who is employed under an annual contract.

Tax Assessor/Collector – The District's Tax Assessor/Collector is Wheeler and Associates, Inc. who is employed under an annual contract and represents approximately 175 other utility districts.

Bookkeeper – The District's Bookkeeper is TNR Advisors & Management Consultants which acts as bookkeeper for approximately five other utility districts.

Auditor – The District's annual financial statements as of and for the year ended August 31, 2024, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's August 31, 2024, audited financial statements.

Utility System Operator – The System's operator is Precision Utility, LLC (the "Operator") who serves as the Operator for approximately 30 other special districts.

Engineer – The consulting engineer for the District is EHRA, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., ("GMS") serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Norton Rose Fulbright US LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds however such fees are not contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

5/9/2025 Estimated Taxable Value	\$534,763,325	(a)
1/1/2025 Taxable Value	\$535,308,408	(b)
Direct Debt:		
Outstanding Bonds (as November 1, 2025)	\$9,300,000	
The Bonds	<u>\$8,100,000</u>	
Total Direct Debt	\$17,400,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$25,065,579</u>	
Direct and Estimated Overlapping Debt	\$42,465,579	
Percentage of Direct Debt to:		
5/9/2025 Estimated Taxable Value	3.25%	
1/1/2025 Taxable Value	3.25%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
5/9/2025 Estimated Taxable Value	7.94%	
1/1/2025 Taxable Value	7.93%	
See "DISTRICT DEBT"		
2025 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.26	
Maintenance Tax	<u>\$0.38</u>	
Total 2025 Tax Rate	\$0.64	
Cash and Temporary Investment Balances as of September 30, 2025		
General Fund	\$7,547,372	
Debt Service Fund	\$1,202,111	(c)

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- (a) Reflects data supplied by HCAD. The Estimated Taxable Value as of 5/9/2025 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."
- (b) Reflects the 2025 Taxable Value according to data supplied to the District by HCAD. The figure above consists of \$510,766,836 of property that has been fully certified by HCAD and approximately 90% of the value of property that is currently still in the certification process (\$27,268,414) that will ultimately be certified according to HCAD. See "DISTRICT TAX DATA."
- (c) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. The figure above reflects a negative adjustment for the debt service payment to be made on September 1, 2025. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping %</u>	<u>Amount</u>
Spring Independent School District	\$822,205,000	2.52%	\$20,719,351
Harris County	\$2,424,019,039	0.08%	\$1,872,301
Harris County Flood Control District	\$968,445,000	0.08%	\$763,701
Port of Houston Authority	\$406,509,397	0.08%	\$320,431
Harris County Department of Education	\$28,960,000	0.08%	\$22,223
Harris County Hospital District	\$867,820,000	0.08%	\$679,830
Lone Star College System	\$439,870,000	0.16%	<u>\$687,722</u>
Total Estimated Overlapping Debt			\$25,065,579
The District (a)			<u>\$17,400,000</u>
Total Direct and Estimated Overlapping Debt			\$42,465,579

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2021 through 2025. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u> (a)	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u> (b)	<u>Year Ended January 31</u>
2025	\$535,308,408 (c)	\$0.640000	\$3,425,973	(d)	2026
2024	\$526,370,119	\$0.644818	\$3,394,129	99.11%	2025
2023	\$496,043,160	\$0.645034	\$3,199,647	99.49%	2024
2022	\$446,373,345	\$0.673400	\$3,005,878	99.70%	2023
2021	\$400,925,437	\$0.750000	\$3,006,941	99.77%	2022

(a) See "Tax Rate Distribution" herein.

(b) Represents tax collections as of August 31, 2025.

(c) Reflects the 2025 Taxable Value according to data supplied to the District by HCAD. The figure above consists of \$510,766,836 of property that has been fully certified by HCAD and approximately 90% of the value of property that is currently still in the certification process (\$27,268,414) that will ultimately be certified according to HCAD.

(d) The 2025 taxes are due on or before January 31, 2026.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 1, 1985. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2021 through 2025.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.260000	\$0.258000	\$0.257500	\$0.277500	\$0.320000
Maintenance/Operations	<u>\$0.380000</u>	<u>\$0.386818</u>	<u>\$0.387534</u>	<u>\$0.395900</u>	<u>\$0.430000</u>
Total	\$0.640000	\$0.644818	\$0.645034	\$0.673400	\$0.750000

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2024 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
At Owner 2LP	Land and Improvements	\$13,670,653	2.59%
Bruceton Ltd	Land	\$5,280,000	1.00%
Echostate Solutions, Inc.	Land and Improvements	\$4,987,281	0.94%
Camillo Properties Ltd.	Land and Improvements	\$2,880,005	0.54%
CenterPoint Energy Hou Ele	Personal Property	\$2,796,370	0.53%
American Homes 4 Rent	Land and Improvements	\$2,423,521	0.46%
Walters Houston CVS LP	Land and Improvements	\$2,198,358	0.41%
Spears at Walters Investment Inc.	Land and Improvements	\$1,855,387	0.35%
Transcontinental Gas Pipeline	Personal Property and Improvements	\$1,823,270	0.34%
Alfaluh Inc.	Land and Improvements	<u>\$1,637,103</u>	<u>0.31%</u>
TOTAL TOP 10 VALUE		\$39,551,948	7.47%

Analysis of Tax Base

Based on information provided to the District by HCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2021 through 2025.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>	
2025						\$535,308,408	(a)
2024	\$124,099,329	\$479,326,719	\$10,727,038	\$614,153,086	\$87,782,967	\$526,370,119	
2023	\$122,551,835	\$447,039,649	\$9,924,376	\$579,515,860	\$83,472,700	\$496,043,160	
2022	\$75,651,397	\$433,860,679	\$9,990,818	\$519,502,894	\$73,129,549	\$446,373,345	
2021	\$74,729,780	\$386,291,663	\$7,625,260	\$468,646,703	\$67,721,266	\$400,925,437	

(a) Reflects the 2025 Taxable Value according to data supplied to the District by HCAD. The figure above consists of \$510,766,836 of property that has been fully certified by HCAD and approximately 90% of the value of property that is currently still in the certification process (\$27,268,414) that will ultimately be certified according to HCAD. See "DISTRICT TAX DATA."

Estimated Overlapping Taxes

The following table sets forth all 2024 taxes levied by overlapping taxing jurisdictions for substantially all of the completed homes and homes under construction that are located within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2024 Tax Rate</u>
Spring Independent School District	\$1.106900
Harris County (a)	\$0.608689
Lone Star College District	\$0.107600
Overlapping Taxes	\$1.823189
The District (2025)	<u>\$0.640000</u>
Total Direct & Overlapping Taxes	\$2.468007

(a) Includes Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, and Harris County Education Department.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 5/9/2025 Estimated Taxable Value and the 1/1/2025 Taxable Value. The calculations utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2034).....	\$1,647,494
Requires a \$0.33 debt service tax rate on the 5/9/2025 Estimated Taxable Value at 95% collections	\$1,676,483
Requires a \$0.33 debt service tax rate on the 1/1/2025 Taxable Value at 95% collections	\$1,678,192 (a)

(a) Reflects the January 1, 2025, Taxable Value according to data supplied to the District by HCAD. The District is authorized by law to levy taxes only against certified values. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by HCAD. HCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the “Appraisal Review Board”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

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 of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. 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 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 \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before September 1. In 2025, the District granted an exemption of \$5,000 for residential homesteads of persons 65 or older or disabled.

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

Tax Abatement

Either Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston, Harris County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and

tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

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

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

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

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due September 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to September 1 of the year in which it becomes

delinquent. If the tax is not paid by September 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units. Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 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. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. It was determined that the District was 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Delinquent Tax Payments for Disaster Areas

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

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by 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 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, under legislation effective December 1, 2017, 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.

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 Agreement

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 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 by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many 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.

Consolidation

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

THE BONDS

General

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, a copy of which is available from the District's Bond Counsel upon request.

The Bonds will be dated and will bear interest from December 1, 2025, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on September 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable semiannually on March 1, 2026, and each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

Principal and redemption price of the Bonds are payable at the principal payment office of The Bank of New York Mellon Trust Company, Houston, Texas (the "Paying Agent/Registrar") upon presentation and surrender of the Bonds.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Optional Redemption

The Bonds maturing on or after September 1, 2036, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on September 1, 2032, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the

event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Notice of Redemption

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

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

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bond the same shall be surrendered in exchange for one or more new Bonds of the same Stated Maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the Redemption Date.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in 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. 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.

Defeasance

Any Bond is deemed to be paid and is no longer be considered to be a Bond, within the meaning of the Bond Order, when payment of the principal of and interest on such Bond to the maturity date thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the redemption date which has been made, or provided for, by deposit with the Paying Agent/Registrar (or with any other bank or trust company which has agreed to hold the same for such purpose) for such payment of: (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

Any money and Governmental Obligations deposited for such purpose shall be held by the Paying Agent/Registrar (or other bank or trust company) with which such deposit is made in a segregated account in trust or escrow for the Registered Owners of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on such Bonds when due, except that cash receipts may be withdrawn and paid to the District provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in this Section. No money or Governmental Obligations so deposited shall be invested or reinvested unless in Governmental Obligations and unless such money and Governmental Obligations not invested and such new investments are together certified by an independent public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

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

Funds

The Bond Order confirms the previous establishment of the District's Debt Service Fund. The Bond Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar.

No Arbitrage

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

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

Upon surrender for transfer of any Bond at the place of payment, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, the Bonds which the Registered Owners of Bonds making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the District, evidencing the same debt, and entitled to the same benefits under the Order, as the Bonds surrendered upon such transfer or exchange.

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

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

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

Replacement of Mutilated, Lost or Stolen Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser,

the District will execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- “(a) All bonds, notes, and other obligations 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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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.

Issuance of Additional Debt

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$30,271,760	For certain water, sanitary sewer, and storm water facilities and for refunding

After the issuance of the Bonds, the District will have \$1,760 of unlimited tax water, sanitary sewer, and storm water facilities bonds that remain authorized but unissued and \$29,272,626.95 of refunding bonds that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money Bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds 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 for the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. However, before the District could issue park bonds payable from taxes, the following actions would be required: (a) adoption of a park plan; (b) approval by the voters of the District of Bonds for parks and recreational facilities; (c) approval of a City ordinance authorizing park bonds; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, 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 more than three percent of the value of the taxable property in the District. The Board is not considering adopting a park plan, seeking voter authorization of park and recreational facilities bonds, and issuing parks and recreational facilities bonds at this time.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon nor guarantee the safety or appropriateness of the Bonds as an investment, nor pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments

The District may, without the consent of or notice to any Registered Owner, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Registered Owners of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Registered Owners of all of the affected Outstanding Bonds, no such amendment, addition, or rescission shall (1) change the Stated Maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions governing amendments, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

Any consent to any amendment of the Bond Order by the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds (which are referred to as "Securities" solely in this section of the Official Statement) is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Securities, 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 Securities), 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Securities. The Securities 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 Securities, each in the aggregate principal amount or Maturity Value, as the case may be, 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. 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 Standard & Poor's 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.

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Securities 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 fewer than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All payments on the Securities 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Securities 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, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Legal Review

In its capacity as Bond Counsel, Norton Rose Fulbright US LLP has reviewed the information appearing in this Official Statement under the captions “CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12,” “THE DISTRICT – Authority,” “TAXING PROCEDURES,” “ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION,” “THE BONDS,” “LEGAL MATTERS – Legal Opinions” (to the extent such section relates to the opinion of Bond Counsel) and “ – Legal Review,” “TAX MATTERS,” and “REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS” solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. 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, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

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

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad

Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, S corporations with "subchapter C" earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield

to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

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

Qualified Tax-Exempt Obligations

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

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

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

Additional Federal Income Tax Considerations

Collateral Tax Consequences – Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium – If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount – If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity

of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes – Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could 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 recently enacted, proposed, pending or future legislation.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, 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 provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, engineering, and other related reports set forth in the Official Statement are included herein 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.

Consultants

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

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND

PROCEEDS,” and certain engineering matters included in “THE DISTRICT – Description and Location,” and “THE DISTRICT – Status of Land Development/Land Uses in the District” has been provided by EHRA, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector - The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned “DISTRICT TAX DATA,” has been provided by HCAD and by Wheeler and Associates, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The District’s annual financial statements as of and for the year ended August 31, 2024, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s August 31, 2024, audited financial statements.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies for the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and therefore, there can be no assurance that any forward-looking statements included in this Official Statement would prove to be accurate.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District’s audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District’s financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Norton Rose Fulbright US LLP, 1550 Lamar Street, Suite 2000, Houston, Texas 77010-4106.

Certification as to Official Statement

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

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

All estimates, statements, and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 304 as of the date shown on the cover page.

APPENDIX A

AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2024

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 304**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

August 31, 2024

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	39
Taxes Levied and Receivable	TSI-4	40
Long-Term Debt Service Requirements by Years	TSI-5	41
Change in Long-Term Bonded Debt	TSI-6	44
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	46
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	48
Board Members, Key Personnel and Consultants	TSI-8	50

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 304
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 304 (the "District"), as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 304, as of August 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris County Municipal Utility District No. 304
Harris County, Texas***

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

Supplementary Information

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

W.C. Galt & Co., P.C.

Houston, Texas
December 19, 2024

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Management's Discussion and Analysis

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***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2024***

Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 304 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended August 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2024***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at August 31, 2024, was \$10,280,336. A comparative summary of the District's overall financial position, as of August 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 9,793,303	\$ 8,884,471
Capital assets	11,604,382	11,752,450
Total assets	<u>21,397,685</u>	<u>20,636,921</u>
Total deferred outflows of resources	<u>221,149</u>	<u>241,254</u>
Current liabilities	1,686,601	1,729,862
Long-term liabilities	<u>9,651,897</u>	<u>10,513,030</u>
Total liabilities	<u>11,338,498</u>	<u>12,242,892</u>
Net position		
Net investment in capital assets	1,348,634	690,674
Restricted	1,273,460	1,203,163
Unrestricted	<u>7,658,242</u>	<u>6,741,446</u>
Total net position	<u>\$ 10,280,336</u>	<u>\$ 8,635,283</u>

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2024***

The total net position of the District increased during the current fiscal year by \$1,645,053. A comparative summary of the District's *Statement of Activities* for the prior two fiscal years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 3,248,043	\$ 3,054,706
Water and sewer service	2,052,854	2,009,290
Other	1,079,577	956,117
Total revenues	<u>6,380,474</u>	<u>6,020,113</u>
Expenses		
Current service operations	3,801,030	3,333,577
Debt interest and fees	422,146	457,354
Depreciation	512,245	484,217
Total expenses	<u>4,735,421</u>	<u>4,275,148</u>
Change in net position	1,645,053	1,744,965
Net position, beginning of year	8,635,283	6,890,318
Net position, end of year	<u>\$ 10,280,336</u>	<u>\$ 8,635,283</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of August 31, 2024, were \$8,783,334, which consists of \$7,609,517 in the General Fund and \$1,173,817 in the Debt Service Fund.

General Fund

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

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 8,505,614</u>	<u>\$ 7,384,783</u>
Total liabilities	\$ 847,372	\$ 927,844
Total deferred inflows	48,725	36,564
Total fund balance	7,609,517	6,420,375
Total liabilities, deferred inflows and fund balance	<u>\$ 8,505,614</u>	<u>\$ 7,384,783</u>

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2024***

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 5,272,877	\$ 4,698,193
Total expenditures	(4,083,735)	(6,197,475)
Revenues over/(under) expenditures	<u>\$ 1,189,142</u>	<u>\$ (1,499,282)</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and regional water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of August 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,287,689</u>	<u>\$ 1,215,181</u>
Total liabilities	\$ 14,229	\$ 12,018
Total deferred inflows	99,643	85,528
Total fund balance	<u>1,173,817</u>	<u>1,117,635</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,287,689</u>	<u>\$ 1,215,181</u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 1,365,829	\$ 1,313,170
Total expenditures	(1,309,647)	(1,313,968)
Revenues over/(under) expenditures	<u>\$ 56,182</u>	<u>\$ (798)</u>

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2024***

sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,189,142 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	\$ 2,667,129	\$ 2,513,681
Construction in progress	535,764	1,080,217
	<u>3,202,893</u>	<u>3,593,898</u>
Capital assets being depreciated		
Infrastructure	13,119,195	12,587,691
Recreational facilities	2,635,389	2,575,053
Landscaping improvements	163,342	
	<u>15,917,926</u>	<u>15,162,744</u>
Less accumulated depreciation		
Infrastructure	(6,250,482)	(5,910,713)
Recreational facilities	(1,257,788)	(1,093,479)
Landscaping improvements	(8,167)	
	<u>(7,516,437)</u>	<u>(7,004,192)</u>
Depreciable capital assets, net	<u>8,401,489</u>	<u>8,158,552</u>
Capital assets, net	<u>\$ 11,604,382</u>	<u>\$ 11,752,450</u>

Capital asset additions during the current fiscal year include detention, paving and open space improvements to serve Silverglen North Park and generators to serve Lift Station No. 1 and 2.

The District's construction in progress consists of the construction of open space improvements to serve Silverchase Meadow Park and engineering fees related to the construction of the various capital improvements projects in the District.

Long-Term Debt

***Harris County Municipal Utility District No. 304
Management's Discussion and Analysis
August 31, 2024***

At August 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2012 Refunding	\$ 5,110,000	\$ 5,695,000
2016 Refunding	5,015,000	5,220,000
	<u>\$ 10,125,000</u>	<u>\$ 10,915,000</u>

At August 31, 2024, the District had \$8,101,760 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$29,272,627 for refunding purposes.

Next Year's Budget

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

	2024 Actual	2025 Budget
Total revenues	\$ 5,272,877	\$ 4,804,672
Total expenditures	<u>(4,083,735)</u>	<u>(5,870,201)</u>
Revenues over/(under) expenditures	1,189,142	(1,065,529)
Beginning fund balance	6,420,375	7,609,517
Ending fund balance	<u>\$ 7,609,517</u>	<u>\$ 6,543,988</u>

Property Taxes

The District's property tax base increased approximately \$27,620,000 for the 2024 tax year from \$497,985,736 to \$525,605,880. This increase was primarily due to increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.386818 per \$100 of assessed value and a debt service tax rate of \$0.258 per \$100 of assessed value, for a total combined tax rate of \$0.644818 per \$100 of assessed value. Tax rates for the 2023 tax year were \$0.387534 per \$100 for maintenance and operations and \$0.2575 per \$100 for debt service for a combined total of \$0.645034 per \$100 of assessed value.

Basic Financial Statements

Harris County Municipal Utility District No. 304
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2024

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 172,690	\$ 121,729	\$ 294,419	\$ -	\$ 294,419
Investments	7,758,131	1,070,350	8,828,481		8,828,481
Taxes receivable	48,725	99,643	148,368		148,368
Customer service receivables, net	490,350		490,350		490,350
Internal balances	4,033	(4,033)			
Prepaid items	13,580		13,580		13,580
Accrued interest receivable	11,523		11,523		11,523
Other receivables	1,668		1,668		1,668
Operating reserve	4,914		4,914		4,914
Capital assets not being depreciated				3,202,893	3,202,893
Capital assets, net				8,401,489	8,401,489
Total Assets	\$ 8,505,614	\$ 1,287,689	\$ 9,793,303	11,604,382	21,397,685
Deferred Outflows of Resources					
Deferred difference on refunding				221,149	221,149
Liabilities					
Accounts payable	\$ 414,518	\$ -	\$ 414,518		414,518
Retainage payable	35,553		35,553		35,553
Other payables	13,394	14,229	27,623		27,623
Customer deposits	383,907		383,907		383,907
Long-term debt					
Due within one year				825,000	825,000
Due after one year				9,651,897	9,651,897
Total Liabilities	847,372	14,229	861,601	10,476,897	11,338,498
Deferred Inflows of Resources					
Deferred property taxes	48,725	99,643	148,368	(148,368)	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	18,494		18,494	(18,494)	
Restricted		1,173,817	1,173,817	(1,173,817)	
Unassigned	7,591,023		7,591,023	(7,591,023)	
Total Fund Balances	7,609,517	1,173,817	8,783,334	(8,783,334)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,505,614	\$ 1,287,689	\$ 9,793,303		
Net Position					
Net investment in capital assets				1,348,634	1,348,634
Restricted for debt service				1,273,460	1,273,460
Unrestricted				7,658,242	7,658,242
Total Net Position				\$ 10,280,336	\$ 10,280,336

See notes to basic financial statements.

Harris County Municipal Utility District No. 304

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended August 31, 2024**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Water service	\$ 742,838	\$ -	\$ 742,838	\$ -	\$ 742,838
Sewer service	1,310,016		1,310,016		1,310,016
Property taxes	1,909,545	1,268,386	3,177,931	19,529	3,197,460
Penalties and interest	27,548	16,289	43,837	6,746	50,583
Regional water authority fees	605,117		605,117		605,117
Tap connection and inspection	9,678		9,678		9,678
Miscellaneous	306,152		306,152	(284,507)	21,645
Investment earnings	361,983	81,154	443,137		443,137
Total Revenues	5,272,877	1,365,829	6,638,706	(258,232)	6,380,474
Expenditures/Expenses					
Current service operations					
Personnel	106,007		106,007		106,007
Professional fees	629,610	8,610	638,220		638,220
Contracted services	1,090,749	46,731	1,137,480		1,137,480
Repairs and maintenance	882,158		882,158		882,158
Utilities	90,552		90,552		90,552
Regional water authority fees	746,366		746,366		746,366
Administrative	112,693	7,863	120,556		120,556
Other	61,423	18,268	79,691		79,691
Capital outlay	364,177		364,177	(364,177)	
Debt service					
Principal		790,000	790,000	(790,000)	
Interest and fees		438,175	438,175	(16,029)	422,146
Depreciation				512,245	512,245
Total Expenditures/Expenses	4,083,735	1,309,647	5,393,382	(657,961)	4,735,421
Revenues Over Expenditures	1,189,142	56,182	1,245,324	(1,245,324)	
Change in Net Position				1,645,053	1,645,053
Fund Balance/Net Position					
Beginning of the year	6,420,375	1,117,635	7,538,010	1,097,273	8,635,283
End of the year	\$ 7,609,517	\$ 1,173,817	\$ 8,783,334	\$ 1,497,002	\$ 10,280,336

See notes to basic financial statements.

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Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 304 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated May 1, 1985, and operates in accordance with the Texas Water Code, Chapters 49 and 54.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. At August 31, 2024, the District had two part-time employees.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At August 31, 2024, an allowance of \$22,600 was provided for possible uncollectible water/sewer accounts. An allowance for uncollectible property taxes was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

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

Capital Assets

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

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10-45 years
Recreational facilities	10-20 years
Landscaping improvements	20 years

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and operating reserves paid to Central Harris County Regional Water Authority.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balance consists of property taxes levied for debt service in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 8,783,334
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 19,120,819	
Less accumulated depreciation	<u>(7,516,437)</u>	
Change due to capital assets		11,604,382

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

221,149

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net of discount and premium.

(10,476,897)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

148,368

Total net position - governmental activities

\$ 10,280,336

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

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

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

Net change in fund balances - total governmental funds \$ 1,245,324

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 26,275

Amounts reimbursed from the Central Harris County Regional Water Authority ("CHCRWA") provide financial resources at the fund level. However, in the *Statement of Net Position* this amount is recorded as a reduction to the amount recognized as Due from CHRWA in previous fiscal years. (284,507)

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

Capital outlays	\$ 364,177	
Depreciation expense	(512,245)	
		(148,068)

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

Principal payments	790,000	
Interest expense accrual	16,029	
		806,029

Change in net position of governmental activities \$ 1,645,053

Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government-wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 4 – Deposits and Investments (continued)

Investments (continued)

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

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,008,302	11%	N/A	N/A
TexPool	General	6,749,829	89%	AAAm	36 days
	Debt Service	1,070,350			
		<u>7,820,179</u>			
Total		<u>\$ 8,828,481</u>	<u>100%</u>		

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

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 5 – Interfund Balances

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

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 4,033	Maintenance tax collections not remitted as of year end

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

Note 6 – Capital Assets

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

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 2,513,681	\$ 153,448	\$ -	\$ 2,667,129
Construction in progress	1,080,217	169,397	(713,850)	535,764
	<u>3,593,898</u>	<u>322,845</u>	<u>(713,850)</u>	<u>3,202,893</u>
Capital assets being depreciated				
Infrastructure	12,587,691	531,504		13,119,195
Recreational facilities	2,575,053	60,336		2,635,389
Landscaping improvements		163,342		163,342
	<u>15,162,744</u>	<u>755,182</u>		<u>15,917,926</u>
Less accumulated depreciation				
Infrastructure	(5,910,713)	(339,769)		(6,250,482)
Recreational facilities	(1,093,479)	(164,309)		(1,257,788)
Landscaping improvements		(8,167)		(8,167)
	<u>(7,004,192)</u>	<u>(512,245)</u>		<u>(7,516,437)</u>
Subtotal depreciable capital assets, net	<u>8,158,552</u>	<u>242,937</u>		<u>8,401,489</u>
Capital assets, net	<u>\$ 11,752,450</u>	<u>\$ 565,782</u>	<u>\$ (713,850)</u>	<u>\$ 11,604,382</u>

Depreciation expense for the current fiscal year was \$512,245.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 6 – Capital Assets (continued)

The District has contractual commitments for construction projects as follows:

	Contract Amount	Paid To Date	Remaining Amount *
Booster pump no. 4 at water plant no. 1	\$ 101,500	\$ 45,900	\$ 55,600
Silverchase Meadow Park - open space improvements	308,026	274,073	33,953
	<u>\$ 409,526</u>	<u>\$ 319,973</u>	<u>\$ 89,553</u>

* Includes retainage

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 10,125,000
Unamortized discounts	(45,503)
Unamortized premium	397,400
	<u>\$ 10,476,897</u>
Due within one year	<u>\$ 825,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012 Refunding	\$ 5,110,000	\$ 9,605,000	2.00% - 4.00%	September 1, 2013/2031	March 1, September 1	March 1, 2020
2016 Refunding	5,015,000	8,030,000	2.00% - 4.00%	September 1, 2016/2034	March 1, September 1	September 1, 2023
	<u>\$ 10,125,000</u>					

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

At August 31, 2024, the District had authorized but unissued bonds in the amount of \$8,101,760 for water, sewer and drainage facilities and \$29,272,627 for refunding purposes.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 7 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$ 10,915,000
Bonds retired	(790,000)
Bonds payable, end of year	<u>\$ 10,125,000</u>

The debt service payment due September 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of August 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 825,000	\$ 405,000	\$ 1,230,000
2026	855,000	372,000	1,227,000
2027	885,000	337,800	1,222,800
2028	925,000	302,400	1,227,400
2029	965,000	265,400	1,230,400
2030	1,000,000	226,800	1,226,800
2031	1,040,000	186,800	1,226,800
2032	1,160,000	145,200	1,305,200
2033	1,210,000	98,800	1,308,800
2034	1,260,000	50,400	1,310,400
	<u>\$ 10,125,000</u>	<u>\$ 2,390,600</u>	<u>\$ 12,515,600</u>

Note 8 – Property Taxes

On January 20, 1996, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.645034 per \$100 of assessed value, of which \$0.387534 was allocated to maintenance and operations and \$0.2575 was allocated to debt service. The resulting tax levy was \$3,212,177 on the adjusted taxable value of \$497,985,736.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 8 – Property Taxes (continued)

Property taxes receivable, at August 31, 2024, consisted of the following:

Current year taxes receivable	\$ 43,462
Prior years taxes receivable	63,249
	<u>106,711</u>
Penalty and interest receivable	41,657
Property taxes receivable	<u>\$ 148,368</u>

Note 9 – Waste Disposal Agreement

On May 6, 1985, General Homes Corporation, on behalf of the District, entered into a waste disposal agreement with Harris County Municipal Utility District No. 279 (“District No. 279”) and Rankin Road West Municipal Utility District (“Rankin Road West”) providing for the construction and operation of a regional sewage treatment plant. District No. 279 has now been dissolved and a portion of the land previously within District No. 279 has been annexed into the District. The agreement was amended in July 1998, to reflect that fact. The amended agreement provides that the participants will share the costs of operating the plant based upon their percentage of capacity. A 650,000 gallons-per-day initial phase of the plant was constructed in 1986. Rankin Road West was not a participant in the initial phase of the plant. The amended agreement provides that Rankin Road West has no right to utilize any of the capacity in the initial phase unless agreed to by the District. The agreement allows for future expansion of the plant up to 1,000,000 gallons-per-day, with Rankin Road West being allocated 400,000 gallons-per-day and the District being allocated 600,000 gallons-per-day of such ultimate capacity. The term of the amended agreement is 50 years commencing in July 1998.

Note 10 – Water Supply Contracts

On January 29, 1986, the District executed an Emergency Water Supply Contract with Rankin Road West. The term of the emergency water service agreement is 35 years. The price of the water is \$0.75 per 1,000 gallons of usage as reflected by the metering equipment at the point of interconnect.

On August 24, 2000, the District and Harris County Municipal Utility District No. 217 (“District No. 217”) entered into an emergency water supply contract. The interconnect facilities for the District were constructed and paid for by the District. The price to be paid for water furnished under the agreement is primarily the resupply of water in kind. If the water cannot be repaid in kind within two years, the water may be paid for at a rate of \$0.75 per 1,000 gallons of water used, plus any required regulatory fees. The term of the agreement is 50 years.

Harris County Municipal Utility District No. 304
Notes to Financial Statements
August 31, 2024

Note 11 – Central Harris County Regional Water Authority

On December 13, 2002, the District, Fallbrook Utility District, Harris County Municipal Utility District No. 33, Harris County Municipal Utility District No. 150, Harris County Municipal Utility District No. 200, Harris County Municipal Utility District No. 205, Harris County Municipal Utility District No. 215, Harris County Municipal Utility District No. 217, Harris County Municipal Utility District No. 16, and Rankin Road West Municipal Utility District entered into a water consortium agreement and formed the Central Harris County Water Users Consortium (the “Consortium”). In October of 2004, the agreement was amended to include Harris County Municipal Utility District No. 399.

Effective June 17, 2005, the Central Harris County Regional Water Authority (the “Authority”) was created to assume the duties of the Consortium. The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 3181, as passed by the 79th Texas Legislature. The Authority encompasses essentially the same entities as the Consortium.

The Consortium assigned its agreements and transferred its assets to the Authority. The purpose of the Authority is to assure that its participants comply with the Harris-Galveston Subsidence District (“HGSD”) pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of its water use to surface water over a period of time.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions and is subject to change at any time by the Authority. The current fee charged is \$3.51 per 1,000 gallons of water pumped from each well. The Authority charges \$3.85 per 1,000 gallons of surface water purchased. The District recorded expenditures of \$746,366 for fees assessed and surface water purchased during the current fiscal year and had an operating deposit with the Authority of \$4,914.

On September 1, 2015, the District entered into an agreement with the Authority authorizing the Authority to construct a supply line from the system to the District’s water plant. Such construction was completed in a prior year. The agreement will remain in full force and effect until one year after the date upon which the Authority has completed full and final reimbursement to the District, or December 31, 2021, whichever is later. During the current fiscal year, the District was reimbursed \$284,507 from the Authority.

Note 12 – Risk Management

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

Required Supplementary Information

***Harris County Municipal Utility District No. 304
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended August 31, 2024***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 867,500	\$ 742,838	\$ (124,662)
Sewer service	1,346,400	1,310,016	(36,384)
Property taxes	1,850,000	1,909,545	59,545
Penalties and interest	50,000	27,548	(22,452)
Regional water authority fees	684,500	605,117	(79,383)
Tap connection and inspection	39,400	9,678	(29,722)
Miscellaneous	17,000	306,152	289,152
Investment earnings	285,000	361,983	76,983
Total Revenues	<u>5,139,800</u>	<u>5,272,877</u>	<u>133,077</u>
Expenditures			
Current service operations			
Personnel	61,000	106,007	(45,007)
Professional fees	375,000	629,610	(254,610)
Contracted services	966,000	1,090,749	(124,749)
Repairs and maintenance	948,540	882,158	66,382
Utilities	62,400	90,552	(28,152)
Regional water authority fees	660,000	746,366	(86,366)
Administrative	160,260	112,693	47,567
Other	36,600	61,423	(24,823)
Capital outlay	1,870,000	364,177	1,505,823
Total Expenditures	<u>5,139,800</u>	<u>4,083,735</u>	<u>1,056,065</u>
Revenues Over/(Under) Expenditures		1,189,142	1,189,142
Fund Balance			
Beginning of the year	6,420,375	6,420,375	
End of the year	<u>\$ 6,420,375</u>	<u>\$ 7,609,517</u>	<u>\$ 1,189,142</u>

Harris County Municipal Utility District No. 304
Notes to Required Supplementary Information
August 31, 2024

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Harris County Municipal Utility District No. 304
TSI-1. Services and Rates
August 31, 2024

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 23.00	9,000	N	\$ 2.80	9,001 to no limit
Wastewater:	\$ 52.32	N/A	Y		to _____
Surcharge:	\$ -	N/A	N	\$ 3.78	0 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 25.80 Wastewater \$ 52.32

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,872	1,841	x 1.0	1,841
1"	6	6	x 2.5	15
1.5"	2	2	x 5.0	10
2"	16	16	x 8.0	128
3"			x 15.0	
4"	3	3	x 25.0	75
6"			x 50.0	
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water	1,901	1,870		2,229
Total Wastewater	1,847	1,847	x 1.0	1,847

** Pending receipt of information from District operator

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-1. Services and Rates
August 31, 2024

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

Gallons pumped into system:	<u>59,532,000</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped & purchased)
Gallons purchased:	<u>144,429,000</u>	
Gallons billed to customers:	<u>166,848,000</u>	

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris County, Texas

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston, Texas

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

If Yes, by whom? _____

See accompanying auditor's report.

*Harris County Municipal Utility District No. 304
 TSI-2. General Fund Expenditures
 For the Year Ended August 31, 2024*

Personnel	<u>\$ 106,007</u>
Professional fees	
Legal	384,767
Audit	117,068
Engineering	127,775
	<u>629,610</u>
Contracted services	
Bookkeeping	106,860
Operator	176,993
Garbage collection	425,499
Tap connection and inspection	22,955
Security	187,339
Sludge removal	171,103
	<u>1,090,749</u>
Repairs and maintenance	<u>882,158</u>
Utilities	<u>90,552</u>
Regional water authority fees	<u>746,366</u>
Administrative	
Printing and office supplies	13,205
Insurance	41,771
Travel and expense reimbursements	19,108
Other	38,609
	<u>112,693</u>
Other	<u>61,423</u>
Capital outlay	<u>364,177</u>
Total expenditures	<u><u>\$ 4,083,735</u></u>

*Number of persons employed by the District:

2 Part time

** Personnel expenditures include fees of office paid to the Board of Directors

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-3. Investments
August 31, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
TexPool	Variable	N/A	\$ 6,749,829	\$ -
Certificates of deposit	4.75%	12/06/24	256,256	2,047
Certificates of deposit	3.30%	02/24/25	255,187	
Certificates of deposit	3.40%	07/18/25	256,859	1,124
Certificates of deposit	4.64%	11/03/24	240,000	8,352
			<u>7,758,131</u>	<u>11,523</u>
Debt Service				
TexPool	Variable	N/A	<u>1,070,350</u>	
Total - All Funds			<u>\$ 8,828,481</u>	<u>\$ 11,523</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-4. Taxes Levied and Receivable
August 31, 2024

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 36,564	\$ 50,619	\$ 87,183	
Adjustments to Prior Year Tax Levy	(8,157)	(5,739)	(13,896)	
Adjusted Receivable	28,407	44,880	73,287	
2023 Original Tax Levy	1,825,822	1,213,182	3,039,004	
Adjustments	104,042	69,131	173,173	
Adjusted Tax Levy	1,929,864	1,282,313	3,212,177	
Total to be accounted for	1,958,271	1,327,193	3,285,464	
Tax collections:				
Current year	1,903,752	1,264,963	3,168,715	
Prior years	5,794	4,244	10,038	
Total Collections	1,909,546	1,269,207	3,178,753	
Taxes Receivable, End of Year	\$ 48,725	\$ 57,986	\$ 106,711	
Taxes Receivable, By Years				
2023	\$ 26,112	\$ 17,350	\$ 43,462	
2022	7,396	5,184	12,580	
2021	4,104	3,054	7,158	
2020 and prior	11,113	32,398	43,511	
Taxes Receivable, End of Year	\$ 48,725	\$ 57,986	\$ 106,711	
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 122,551,835	\$ 75,651,397	\$ 74,729,780	\$ 73,912,998
Improvements	448,899,081	433,860,679	386,291,663	350,172,699
Personal Property	9,950,233	10,156,796	7,625,260	6,959,712
Exemptions	(83,415,413)	(73,109,549)	(67,721,266)	(66,906,961)
Total Property Valuations	\$ 497,985,736	\$ 446,559,323	\$ 400,925,437	\$ 364,138,448
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.387534	\$ 0.3959	\$ 0.43	\$ 0.42
Debt service tax rates	0.257500	0.2775	0.32	0.35
Total Tax Rates per \$100 Valuation	\$ 0.645034	\$ 0.6734	\$ 0.75	\$ 0.77
Adjusted Tax Levy:	\$ 3,212,177	\$ 3,007,130	\$ 3,006,941	\$ 2,803,866
Percentage of Taxes Collected to Taxes Levied **	98.65%	99.58%	99.76%	99.78%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on January 20, 1996.

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

See accompanying auditor's report.

*Harris County Municipal Utility District No. 304
 TSI-5. Long-Term Debt Service Requirements
 Series 2012 Refunding--by Years
 August 31, 2024*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 605,000	\$ 204,400	\$ 809,400
2026	630,000	180,200	810,200
2027	655,000	155,000	810,000
2028	750,000	128,800	878,800
2029	785,000	98,800	883,800
2030	825,000	67,400	892,400
2031	860,000	34,400	894,400
	<u>\$ 5,110,000</u>	<u>\$ 869,000</u>	<u>\$ 5,979,000</u>

See accompanying auditor's report.

*Harris County Municipal Utility District No. 304
 TSI-5. Long-Term Debt Service Requirements
 Series 2016 Refunding--by Years
 August 31, 2024*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 220,000	\$ 200,600	\$ 420,600
2026	225,000	191,800	416,800
2027	230,000	182,800	412,800
2028	175,000	173,600	348,600
2029	180,000	166,600	346,600
2030	175,000	159,400	334,400
2031	180,000	152,400	332,400
2032	1,160,000	145,200	1,305,200
2033	1,210,000	98,800	1,308,800
2034	1,260,000	50,400	1,310,400
	<u>\$ 5,015,000</u>	<u>\$ 1,521,600</u>	<u>\$ 6,536,600</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
August 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 825,000	\$ 405,000	\$ 1,230,000
2026	855,000	372,000	1,227,000
2027	885,000	337,800	1,222,800
2028	925,000	302,400	1,227,400
2029	965,000	265,400	1,230,400
2030	1,000,000	226,800	1,226,800
2031	1,040,000	186,800	1,226,800
2032	1,160,000	145,200	1,305,200
2033	1,210,000	98,800	1,308,800
2034	1,260,000	50,400	1,310,400
	<u>\$ 10,125,000</u>	<u>\$ 2,390,600</u>	<u>\$ 12,515,600</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 304
TSI-6. Change in Long-Term Bonded Debt
August 31, 2024

	Bond Issue		Totals
	Series 2012 Refunding	Series 2016 Refunding	
Interest rate	2.00% - 4.00%	2.00% - 4.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/13 - 9/1/31	9/1/16 - 9/1/34	
Beginning bonds outstanding	\$ 5,695,000	\$ 5,220,000	\$ 10,915,000
Bonds retired	<u>(585,000)</u>	<u>(205,000)</u>	<u>(790,000)</u>
Ending bonds outstanding	<u>\$ 5,110,000</u>	<u>\$ 5,015,000</u>	<u>\$ 10,125,000</u>
Interest paid during fiscal year	<u>\$ 227,800</u>	<u>\$ 208,800</u>	<u>\$ 436,600</u>

Paying agent's name and city
All Series

The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 30,271,760	\$ 30,271,760
Amount Issued	<u>(22,170,000)</u>	<u>(999,133)</u>
Remaining To Be Issued	<u>\$ 8,101,760</u>	<u>\$ 29,272,627</u>

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

Debt Service Fund cash and investments balance as of August 31, 2024: \$ 1,192,079

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,251,560

See accompanying auditor's report.

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Harris County Municipal Utility District No. 304
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2024**	2023**	2022**	2021	2020
Revenues					
Water service	\$ 742,838	\$ 753,043	\$ 703,096	\$ 798,612	\$ 641,753
Sewer service	1,310,016	1,256,247	1,254,637	1,182,897	1,168,085
Property taxes	1,909,545	1,760,066	1,707,555	1,527,819	1,354,820
Penalties and interest	27,548	23,768	59,849	44,820	32,595
Regional water authority fees	605,117	628,101	607,871	537,149	585,909
Tap connection and inspection	9,678	49,240	4,833	26,386	166,955
Miscellaneous**	306,152	17,038	23,353	103,400	133,922
Investment earnings**	361,983	210,690	35,973		
Total Revenues	5,272,877	4,698,193	4,397,167	4,221,083	4,084,039
Expenditures					
Current service operations					
Personnel	106,007	45,674	50,395		
Professional fees	629,610	471,223	455,188	279,232	219,207
Contracted services	1,090,749	772,496	769,208	639,174	562,691
Repairs and maintenance	882,158	947,473	1,110,852	684,999	508,647
Utilities	90,552	82,070	95,474	99,774	92,325
Regional water authority fees	746,366	698,647	655,881	656,875	789,688
Administrative	112,693	177,693	153,454		
Other	61,423	27,385	21,546	395,947	467,477
Capital outlay	364,177	1,654,631	513,447	158,510	1,420,779
Debt service					
Interest and fees		5,183			
Cash defeasance		1,315,000			
Total Expenditures	4,083,735	6,197,475	3,825,445	2,914,511	4,060,814
Revenues Over/(Under) Expenditures	\$ 1,189,142	\$ (1,499,282)	\$ 571,722	\$ 1,306,572	\$ 23,225
Total Active Retail Water Connections	1,870	1,885	1,859	1,859	1,849
Total Active Retail Wastewater Connections	1,847	1,845	1,838	1,838	1,828

*Percentage is negligible

**Classification of miscellaneous revenues and investment earnings in FYE 2024, 2023 and 2022 is not consistent with prior years. In prior years these amounts were reported together.

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
14%	16%	16%	19%	16%
25%	28%	28%	28%	29%
36%	37%	39%	36%	33%
1%	1%	1%	1%	1%
11%	13%	14%	13%	14%
*	1%	*	1%	4%
6%	*	1%	2%	3%
7%	4%	1%		
<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
2%	1%	1%		
12%	10%	10%	7%	5%
21%	16%	17%	15%	14%
17%	20%	25%	16%	12%
2%	2%	2%	2%	2%
14%	15%	15%	16%	19%
2%	4%	3%		
1%	1%	*	9%	11%
7%	35%	12%	4%	35%
	*			
	<u>28%</u>			
<u>78%</u>	<u>132%</u>	<u>85%</u>	<u>69%</u>	<u>98%</u>
<u>22%</u>	<u>(32%)</u>	<u>15%</u>	<u>31%</u>	<u>2%</u>

Harris County Municipal Utility District No. 304

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years**

	Amounts				
	2024**	2023**	2022**	2021	2020
Revenues					
Property taxes	\$ 1,268,386	\$ 1,242,564	\$ 1,291,219	\$ 1,275,823	\$ 1,260,486
Penalties and interest	16,289	19,558	15,683	18,968	21,614
Miscellaneous**		18	20		
Investment earnings**	81,154	51,030	8,480	10,008	33,965
Total Revenues	<u>1,365,829</u>	<u>1,313,170</u>	<u>1,315,402</u>	<u>1,304,799</u>	<u>1,316,065</u>
Expenditures					
Tax collection services	63,204	63,678	57,339	71,744	77,276
Other	18,268	22,090	18,264		
Debt service					
Principal	790,000	760,000	735,000	710,000	685,000
Interest and fees	438,175	468,200	546,200	572,650	598,150
Total Expenditures	<u>1,309,647</u>	<u>1,313,968</u>	<u>1,356,803</u>	<u>1,354,394</u>	<u>1,360,426</u>
Revenues Over/(Under) Expenditures	<u>\$ 56,182</u>	<u>\$ (798)</u>	<u>\$ (41,401)</u>	<u>\$ (49,595)</u>	<u>\$ (44,361)</u>

*Percentage is negligible

**Classification of miscellaneous revenues and investment earnings in FYE 2024, 2023 and 2022 is not consistent with prior years. In prior years these amounts were reported together.

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
93%	95%	98%	98%	96%
1%	1%	1%	1%	2%
	*	*		
6%	4%	1%	1%	2%
100%	100%	100%	100%	100%
5%	5%	4%	5%	6%
1%	2%	1%		
58%	58%	56%	54%	52%
32%	36%	42%	44%	45%
96%	101%	103%	103%	103%
4%	(1%)	(3%)	(3%)	(3%)

***Harris County Municipal Utility District No. 304
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended August 31, 2024***

Complete District Mailing Address: 24624 Interstate 45 North, Suite 200, The Woodlands, TX 77386
 District Business Telephone Number: (281) 791-1990
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): August 22, 2024
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Sharon Mayo	05/24 - 05/28	\$ 5,746	\$ 1,530	President
Geri Scott	05/24 - 05/28	5,525	2,537	Vice President
Sandra Ford	08/22 - 05/26		440	Secretary
Elise Byrd	08/22 - 05/26		485	Assistant Secretary
Larry Gene Allen Sr.	05/24 - 05/28	1,547	1,171	Director
LaFrances Moses	05/22 - 08/24	5,525	3,587	Former Director
Michael Garrett	05/22 - 08/24	7,421	1,502	Former Director
Rosalind Caesar	11/20 - 05/24	4,001	507	Former Director
Leonard Cummings, Jr.	11/20 - 05/24	2,873		Former Director
Ann-Toinette Johnson-Preston	11/20 - 05/24	3,536	1,485	Former Director
Amounts Paid				
Consultants				
Mitchell, Zientek & Scruggs, LLP	05/24	\$ 64,210		Attorney
Roach & Associates, PLLC	11/21	320,732		Former Attorney
Precision Utility, LLC	05/23	800,052		Operator
TNR Advisors & Management Consultants, LLC	12/23	86,382		Bookkeeper
Doyle & Associates	03/23	23,144		Former Bookkeeper
Wheeler and Associates, Inc.	08/85	28,937		Tax Collector
Harris Central Appraisal District	Legislation	25,849		Property Valuation
Ted A. Cox, P.C.	Prior to 09/01	8,610		Delinquent Tax Attorney
Edminster Hinshaw Russ & Associates, Inc.	08/15	257,740		Engineer
McGrath & Co., PLLC	11/23	117,068		Auditor
Huntington Securities, Inc.				Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

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