

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 439
(Harris County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: APRIL 10, 2025**

**\$9,250,000
UNLIMITED TAX BONDS
SERIES 2025**

**BIDS DUE: 11:00 A.M., HOUSTON TIME
BONDS AWARDED: 1:30 P.M., HOUSTON TIME
WEDNESDAY, MAY 7, 2025
HOUSTON, TEXAS**



PRELIMINARY OFFICIAL STATEMENT DATED APRIL 10, 2025

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

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

NEW ISSUE - Book-Entry Only

Moody's Investors Service (Underlying).... "Baa3"
See "SALE AND DISTRIBUTION OF THE BONDS - Municipal
Bond Insurance and Ratings" herein

\$9,250,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2025

Dated: May 1, 2025

Due: September 1, as shown on the
inside cover

Interest Accrual Date: Date of Delivery

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Houston, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected May 29, 2025) (the "Date of Delivery"), and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 439 (the "District"), as a whole or from time to time in part, on September 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

See Maturity Schedule on the inside cover

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE "RISK FACTORS." Voters in the District authorized a total of \$41,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System and \$26,000,000 principal amount of unlimited tax bonds for refunding such bonds. Following the issuance of the Bonds, \$29,000,000 principal amount of bonds for the purpose of acquiring and constructing the System and \$26,000,000 principal amount of unlimited tax bonds for refunding such bonds authorized by the District's voters will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and legally binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. 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.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about May 29, 2025.

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

MATURITY SCHEDULE

CUSIP Prefix(a): 41430A

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$170,000	2027	%	%	
170,000	2028			
180,000	2029			
185,000	2030			
200,000	2031(c)			
205,000	2032(c)			
210,000	2033(c)			
225,000	2034(c)			
230,000	2035(c)			
240,000	2036(c)			
255,000	2037(c)			
265,000	2038(c)			
275,000	2039(c)			
285,000	2040(c)			
300,000	2041(c)			
310,000	2042(c)			
320,000	2043(c)			
335,000	2044(c)			
350,000	2045(c)			
370,000	2046(c)			
385,000	2047(c)			
405,000	2048(c)			
420,000	2049(c)			
440,000	2050(c)			
460,000	2051(c)			
655,000	2052(c)			
685,000	2053(c)			
720,000	2054(c)			

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Underwriter (as hereinafter defined), and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

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

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

Securities Laws

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

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody's rating fees as described below. Moody's has assigned an underlying rating of "Baa3" to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody's and the Moody's rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption "NO MATERIAL ADVERSE CHANGE," if the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Municipal Utility District No. 439 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - Authority.”
Description	\$9,250,000 Unlimited Tax Bonds, Series 2025, are dated May, 1, 2025, and mature on September 1 in the years and principal amounts shown on the inside cover page of this Official Statement. Interest on the Bonds accrues from the Date of Delivery, at the rates shown on the inside cover hereof, and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2030, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to pay the cost of acquisition or construction of clearing and grubbing for Wayside Village Phases 1A and 1B and Wayside Village East Phase 1; Wayside Village West

detention basin and channel improvement facilities; Wayside Village East mass grading and detention basin facilities; and a drainage study and storm water pollution prevention plan. The District will also use the proceeds of the Bonds to pay for bond issuance costs, legal fees, fiscal agent’s fees, fees to the Texas Commission on Environmental Quality (the “TCEQ”) and the Attorney General of Texas, certain costs associated with the operation of the District, engineering fees relating to the foregoing projects, and to capitalize interest in the amount of \$462,500. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer, and storm drainage system (the “System”) to serve the District. The District has also issued Unlimited Tax Bonds, Series 2021 (the “Series 2021 Bonds”) for the purpose of acquiring and constructing the System. Reference is made in this Official Statement to the District’s prior issued bonded indebtedness as the “Prior Bonds.” The District has timely paid all principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was \$2,655,000 (collectively, the “Outstanding Bonds”), and after issuance of the Bonds, the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$11,905,000.

Authorized But Unissued Bonds

\$29,000,000 principal amount of bonds for the purpose of acquiring and constructing the System and \$26,000,000 principal amount of bonds for refunding such bonds will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt.” In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Capacity/Connection Charges with the proceeds of bonds, if any, to be issued by the District in the future. The District’s Engineer estimates that the currently authorized but unissued bonds for water, sewer, and drainage facilities will be sufficient to finance all such facilities needed to serve the entire District. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “RISK FACTORS - Future Debt.”

Municipal Bond Insurance and Ratings

Applications have been made to Assured Guaranty Inc. (“AG”) and Build America Mutual Assurance Company (“BAM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Moody’s Investors Service, Inc.

(“Moody’s”), will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond insurance policy, and the payment of fees in connection with such ratings except the Moody’s rating fees as described below. Moody’s has assigned an underlying rating of “Baa3” to the Bonds. If the Underwriter chooses to purchase municipal bond insurance on the Bonds, separate rating(s), including a rating by Moody’s, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds an insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of Moody’s and the Moody’s rating associated with the insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption “NO MATERIAL ADVERSE CHANGE,” if the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

Bond Counsel

Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”

Disclosure Counsel

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

Qualified Tax-Exempt Obligations

The District will designate 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.”

THE DISTRICT

Description

Harris County Municipal Utility District No. 439, a political subdivision of the State of Texas, was created by the Texas Commission on Environmental Quality (the “TCEQ”) on February 14, 2006, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 348.28 acres of land. The District is located entirely within the corporate boundaries of the City of Houston, Texas. All of the District is located within Harris County, Texas. The District is located approximately 9.3 miles northeast of the central business district of the City of

Houston. The District is located entirely within the Houston Independent School District. The District is located south of Sam Houston Parkway (Beltway 8) and East Little York, east of U. S. Highway 59, north of Tidwell, and west of Mesa Drive. See “THE DISTRICT - Authority” and - “Description,” “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

Development and Home Construction

As of April 1, 2025, development of an aggregate of approximately 242.09 acres of land within the District has been completed as Wayside Village, Sections 1, 2, 4 through 6, and 9 through 13, which includes 1,110 fully developed single-family residential lots, on which 807 single-family homes have been constructed, including 97 homes that are currently under construction. In addition, an aggregate of 227 single-family residential lots are currently under development on an aggregate of 74.31 acres located within the District. According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve such 1,110 single family residential lots in the District as is delineated in the chart that appears in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.”

Developers and Home Builders

The original developer of the District, Woodmere Development Co., Ltd. (“Woodmere”), owned 150 fully developed single-family residential lots (approximately 30.74 total acres) that have been developed as Wayside Village, Sections 1 and 2. Homes have been constructed on all 150 lots, and all 150 of such homes have been sold to homeowners. Woodmere owns no additional land located within the District.

CW Wayside LLC, a Texas limited liability company (“CW Wayside”) owns approximately 28.17 acres of land located within the District on which 116 single-family residential lots that have been subdivided as Wayside Village, Section 6 have been developed, approximately 23.48 acres of land located within the District on which 118 single-family residential lots that have been subdivided as Wayside Village, Section 9 have been developed, and approximately 26.84 acres of land located within the District on which 99 single-family residential lots that have been subdivided as Wayside Village, Section 10 have been developed. According to CW Wayside, Starlight Homes, LLC (“Starlight Homes”) is constructing homes on such lots which range in size from approximately 1,200 to 2,300 square feet of living area and in sales price from approximately \$170,000 to \$260,000. CW Wayside owns no additional land located within the District.

Cove Matrix Development Ltd. (“Cove Matrix”) owned approximately 23.90 acres of land located within the District on which it developed 150 single-family residential lots that have been subdivided as Wayside Village, Section 4. Homes have been constructed on all 150 lots, and all 150 of such homes have been sold to homeowners. Cove Matrix sold 115.02 acres of land located within the District to LGI Homes

– Houston. Cove Matrix owns no additional land located within the District.

LGI Homes – Houston (“LGI Homes”) owns approximately 40.72 acres of land located within the District on which it has developed 150 single-family residential lots that have been subdivided as Wayside Village, Section 5. In addition, LGI Homes owns approximately 74.31 acres of land located within the District on which it has undertaken the development of 227 single-family residential lots that have been subdivided as Wayside Village, Section 7, the development of which, including street paving, is anticipated to be completed by approximately June 2026. According to LGI Homes, it is constructing and is expected to construct homes on such lots which range in size from approximately 1,076 to 2,316 square feet of living area and in sales price from approximately \$251,900 to \$328,900. According to LGI Homes, Legend Homes is constructing homes on such lots which range in size from approximately 1,355 to 2,089 square feet of living area and in sales price from approximately \$254,990 to \$293,873. LGI Homes owns no additional land located within the District.

Rausch Coleman Homes Houston LLC, a Lennar company (“Rausch Coleman”) owns approximately 17.82 acres of land located within the District on which it has developed 79 single-family residential lots that have been subdivided as Wayside Village, Section 11, approximately 16.70 acres of land located within the District on which it has developed 77 single-family residential lots that have been subdivided as Wayside Village, Section 12, approximately 13.46 acres of land located within the District on which it has developed 80 single-family residential lots that have been subdivided as Wayside Village, Section 13, and approximately 20.26 acres of land located within the District on which it has developed 91 single-family residential lots that have been subdivided as Wayside Village, Section 14. Rausch Coleman is constructing homes on such lots which range in size from approximately 1,012 to 2,239 square feet of living area and in sales price from approximately \$208,990 to \$265,990. Rausch Coleman owns no additional land located within the District that is available for future development.

Starlight Homes, LGI Homes, Legend Homes and Rausch Coleman are sometimes collectively referred to herein as the “Builders.” CW Wayside, Cove Matrix, LGI Homes and Rausch Coleman are sometimes collectively referred to herein as the “Developers.”

Since no party, including the Developers, is under any obligation to the District to undertake or complete the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed or completed.

RISK FACTORS

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

2024 Assessed Valuation	\$	111,924,677 (a)
(As of January 1, 2024)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation at April 1, 2025	\$	201,252,611 (b)
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds	\$	2,655,000
The Bonds.....	\$	<u>9,250,000</u>
Total	\$	11,905,000 (c)
Estimated Overlapping Debt	\$	<u>2,728,085</u>
Total Direct and Estimated Overlapping Debt	\$	<u>14,633,085</u>
Direct Debt Ratios		
: as a percentage of 2024 Assessed Valuation.....		10.64 %
: as a percentage of Estimated Valuation at April 1, 2025		5.92 %
Direct and Overlapping Debt Ratios		
: as a percentage of 2024 Assessed Valuation.....		13.07 %
: as a percentage of Estimated Valuation at April 1, 2025		7.27 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$	1,020,442 (d)
General Fund Balance as of February 13, 2025.....	\$	367,363
2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.49
Maintenance Tax.....		<u>0.31</u>
Total	\$	0.80 (e)
Percentage of Total Tax Collections (2014-2023) as of February 28, 2025		99.65 %
Percentage of 2024 Tax Collections as of February 28, 2025		95.06 %(e)
(In process of collection.).....		
Average Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2026-2054)	\$	756,143
Maximum Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2046).....	\$	759,000
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2026-2054) at 95% Tax Collections		
Based Upon 2024 Assessed Valuation.....	\$	0.72
Based Upon Estimated Valuation at April 1, 2025	\$	0.40

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the
Outstanding Bonds (2046) at 95% Tax Collections

Based Upon 2024 Assessed Valuation.....	\$	0.72
Based Upon Estimated Valuation at April 1, 2025	\$	0.40

Number of Single Family Residences as of April 1, 2025
(including 97 residences currently under construction) 807

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- (a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of April 1, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2024, through March 31, 2025. The ultimate Assessed Valuation of any improvements added from January 1, 2024, through December 31, 2024, will not be included on the District's 2024 tax roll but will be placed on the District's 2025 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2025. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2025, through March 31, 2025, will not be included on the District's 2025 tax roll but will be placed on the District's 2026 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2026. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (c) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Capacity/Connection Charges with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "RISK FACTORS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2025, and the capitalization by the District of \$462,500 to be deposited in the District's Debt Service Fund upon delivery of the Bonds. The District's remaining debt service requirements due for 2025, consisting of principal of and interest on the Outstanding Bonds, totals \$87,323 due on September 1, 2025. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due March 1, 2026.
- (e) The District levied a debt service tax rate of \$0.49 per \$100 of Assessed Valuation plus a maintenance tax of \$0.31 per \$100 of Assessed Valuation in 2024. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2024 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2024 tax rate, is \$2.892362 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

\$9,250,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
UNLIMITED TAX BONDS
SERIES 2025

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 439 (the “District”) of its Unlimited Tax Bonds, Series 2025 (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”), an election held within the District on May 13, 2006 (see “THE BONDS - Authority for Issuance”), and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated May 1, 2025. Interest accrues from the Date of Delivery, at the rates shown on the inside cover page hereof, and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown under “MATURITY SCHEDULE” on the inside cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas, or any successor paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”).

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

Payment Record

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer, and storm drainage system (the “System”) to serve the District. The District has also issued Unlimited Tax Bonds, Series 2021 (the “Series 2021 Bonds”) for the purpose of acquiring and constructing the System. Reference is made in this Official Statement to the District’s prior issued bonded indebtedness as the “Prior Bonds.” The District has timely paid all principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was \$2,655,000 (collectively, the “Outstanding Bonds”), and after issuance of the Bonds, the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$11,905,000.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

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

Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

Record Date

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

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered, and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds maturing on and after September 1, 2031, are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book- entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

Authority for Issuance

The Bonds constitute the second series of unlimited tax bonds for waterworks, sanitary sewer and drainage facilities authorized by District voters at an election held within the District for that purpose on May 13, 2006. The Bonds are issued pursuant to the Bond Resolution, an election held within the District, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

Source of Payment

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

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

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund to pay the costs of acquiring or constructing District water, sanitary sewer, and drainage facilities and for paying the costs of issuing the Bonds. See "Use And Distribution Of Bond Proceeds" below for a more complete description of the use of Bond proceeds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. Voters in the District have authorized a total of \$41,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System and \$26,000,000 principal amount of unlimited tax bonds for refunding such bonds. Following the issuance of the Bonds, \$29,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System authorized by the District's voters and \$26,000,000 principal amount of unlimited tax bonds for refunding such bonds will remain unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ).

In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Outstanding Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System and Capacity/Connection Charges with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt" and "RISK FACTORS - Future Debt."

Based on present engineering cost estimates and anticipated development, in the opinion of the District's consulting engineer, IDS Engineering Group (the "Engineer"), the remaining \$29,000,000 authorized but unissued bonds for water, sewer and drainage facilities will be adequate to finance the extension of water, wastewater and storm drainage facilities and services to serve the entirety of the District at the full development thereof. See "DEVELOPMENT AND HOME CONSTRUCTION," FUTURE DEVELOPMENT," and "THE SYSTEM."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered developing a fire plan or calling an election at this time for such purposes.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) 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 unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "RISK FACTORS - Future Debt."

No Arbitrage

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

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Houston, Texas, the District may be dissolved by the City of Houston, without the District's consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City of Houston must assume the District's assets and obligations (including the Bonds) and abolish

the District within 90 days of the date of dissolution. Dissolution 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; therefore, the District makes no representation that the City of Houston will ever dissolve 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 dissolution occur.

Consolidation

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

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment

quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to pay the cost of acquisition or construction of clearing and grubbing for Wayside Village Phases 1A and 1B and Wayside Village East Phase 1; Wayside Village West detention basin and channel improvement facilities; Wayside Village East mass grading and detention basin facilities; and a drainage study and storm water pollution prevention plan. The District will also use the proceeds of the Bonds to pay for bond issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, certain costs associated with the creation and operation of the District, and engineering fees relating to the foregoing projects, and to capitalize interest in the amount of \$462,500.

Construction Costs

District Share

A. Developer Contribution Items (a)

1. Wayside Village Phase 1A Clearing and Grubbing	\$267,594
2. Wayside Village Phase 1B Clearing and Grubbing	502,830
3. Wayside Village West Detention Facilities Detention Basin and Channel Improvement Facilities	4,156,239
4. Wayside Village East Phase 1 Clearing and Grubbing	583,599
5. Wayside Village East Detention Facilities Mass Grading and Detention Basin Facilities	520,475
6. Drainage Study	15,108
7. Storm Water Pollution Prevention Plan	31,596

8. Engineering, Surveying and Geotechnical	<u>599,972</u>
Total Developer Contribution Items	\$6,677,413

B. District Items

None

TOTAL CONSTRUCTION COSTS	\$6,677,413
Less Suplus Funds	<u>(190,505)</u>
NET TOTAL CONSTRUCTION COSTS	\$6,486,908

Non-Construction Costs

1. Legal Fees	\$ 225,000
2. Fiscal Agent Fees	185,000
3. Interest	
a. Developer Interest (b)	1,263,080
b. Capitalized Interest	462,500
4. Bond Discount	277,500
5. Issuance Expenses	46,337
6. Operating Costs	176,300
10. TCEQ Bond Issuance Fee	23,125
11. Attorney General Fee	9,250
12. Bond Application Report Costs	95,000
13. Contingencies (c)	<u>0</u>
TOTAL NON-CONSTRUCTION COSTS	\$2,763,092
TOTAL BOND ISSUE REQUIREMENT	\$9,250,000

-
- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its order authorizing the District to issue the Bonds.
- (b) Represents interest owed to the Developers on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developers have borrowed funds.
- (c) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

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

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the TCEQ, dated February 14, 2006, pursuant to the authority of Chapter 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. The creation of the District was confirmed at an election held within the District on May 13, 2006. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ.

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

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

The TCEQ exercises continuing supervisory jurisdiction over the District. The City of Houston, Texas (the "City"), within whose corporate boundaries the District lies, consented to creation of the District. The City imposes certain requirements which limit the purposes for which the District may sell bonds to the acquisition and improvement of waterworks, wastewater, and drainage facilities, firefighting facilities, roads, and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain approvals by the City of the District's construction plans and specifications.

Utility Agreement

The District is located within the corporate limits of the City of Houston (the "City") and obtains water, sewer and drainage service from the City. The District operates subject to a "Utility Functions and Services Allocation Agreement" dated December 13, 2005 (hereinafter referred to as the "Utility Agreement"). Under the terms of the Utility Agreement, the District agreed to develop a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the area within the District. In consideration of the District's acquiring and constructing the System, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System. Pursuant to the Utility Agreement, the City provides water supply and wastewater treatment to the District. See "THE SYSTEM."

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City. All revenue from the System, including any charges which the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment. See “THE SYSTEM.”

In the Utility Agreement, the City has agreed to make an annual payment to the District consisting of that portion of the City property tax relating to water, sewer and drainage facilities in accordance with a formula set out in the Utility Agreement (the “Annual Payment”). The Annual Payment is due on February 1st in the year after the District has issued debt and is payable each February 1st thereafter. The District does not expect that the Annual Payment will materially affect the District’s financial position and has not pledged such payment as security for the Bonds.

Description

Harris County Municipal Utility District No. 439, a political subdivision of the State of Texas, was created by the Texas Commission on Environmental Quality (the “TCEQ”) on February 14, 2006, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 348.28 acres of land. The District is located entirely within the corporate boundaries of the City of Houston, Texas. All of the District is located within Harris County, Texas. The District is located approximately 9.3 miles northeast of the central business district of the City of Houston. The District is located entirely within the Houston Independent School District. The District is located south of Sam Houston Parkway (Beltway 8) and East Little York, east of U. S. Highway 59, north of Tidwell, and west of Mesa Drive. See “AERIAL PHOTOGRAPH OF THE DISTRICT” and “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. All of the Directors own property in the District.

The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Adam Miles Kramer	President	2026
Jonathan Reichel	Vice President	2028
Nancy Zimmerman	Secretary	2026
Bonny Jo Obar Beasley	Assistant Vice President/ Assistant Secretary	2028
Steve M. Burgess	Assistant Vice President/ Assistant Secretary	2026

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

Tax Assessor/Collector

The District's Tax Assessor/Collector is Assessments of the Bob Leared Interests. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal Districts and bills and collects such levy.

Bookkeeper

The District's bookkeeper is McLennan & Associates, LP.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's current auditor is McCall Gibson Swedlund Barfoot Ellis PLLC. A copy of the District's audit for the fiscal year ended April 30, 2024, which was prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, is included as "APPENDIX B" to this Official Statement.

Engineer

The District has employed IDS Engineering Group, Houston, Texas, as Consulting Engineer (the "Engineer") in connection with overall planning activities and the design of the System.

Disclosure Counsel

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

Bond Counsel and General Counsel

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor

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

DEVELOPMENT AND HOME CONSTRUCTION

As of April 1, 2025, development of an aggregate of approximately 242.09 acres of land within the District has been completed as Wayside Village, Sections 1, 2, 4 through 6, and 9 through 13, which includes 1,110 fully developed single-family residential lots, on which 807 single-family homes have been constructed, including 97 homes that are currently under construction. In addition, an aggregate of 227 single-family residential lots are currently under development on an aggregate of 74.31 acres located within the District. According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve such 1,110 single family residential lots in the District as is delineated in the chart that appears below.

The following table reflects the status of residential development and home construction within the District as of April 1, 2025:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				
	<u>Fully Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u>		<u>Completed</u>		<u>Totals</u>
					<u>Sold</u>	<u>Unsold</u>	<u>Sold</u>	<u>Unsold</u>	
Wayside Village									
Section 1	76	15.44			0	0	76	0	76
Section 2	74	15.30			0	0	74	0	74
Section 4	150	23.90			0	11	115	18	146
Section 5	150	40.72			0	15	4	8	31
Section 6	116	28.17			0	0	110	1	111
Section 7			227	74.31	0	0	0	0	0
Section 9	118	23.48			24	9	68	1	102
Section 10	99	26.84			0	0	0	0	0
Section 11	79	17.82			0	0	79	0	79
Section 12	77	16.70			0	0	77	0	77
Section 13	80	13.46			1	0	72	1	74
Section 14	91	20.26			37	0	0	0	37
TOTALS	1,110	242.09	227	74.31	62	32	675	29	807

DEVELOPERS AND HOMEBUILDERS

General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced 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 roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the municipal utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district.

Description of the Developers and Homebuilders

The original developer of the District, Woodmere Development Co., Ltd. ("Woodmere"), owned 150 fully developed single-family residential lots (approximately 30.74 total acres) that have been developed as Wayside Village, Sections 1 and 2. Homes have been constructed on all 150 lots, and all 150 of such homes have been sold to homeowners. Woodmere owns no additional land located within the District.

CW Wayside LLC, a Texas limited liability company (“CW Wayside”) owns approximately 28.17 acres of land located within the District on which 116 single-family residential lots that have been subdivided as Wayside Village, Section 6 have been developed, approximately 23.48 acres of land located within the District on which 118 single-family residential lots that have been subdivided as Wayside Village, Section 9 have been developed, and approximately 26.84 acres of land located within the District on which 99 single-family residential lots that have been subdivided as Wayside Village, Section 10 have been developed. According to CW Wayside, Starlight Homes, LLC (“Starlight Homes”) is constructing homes on such lots which range in size from approximately 1,200 to 2,300 square feet of living area and in sales price from approximately \$170,000 to \$260,000. CW Wayside owns no additional land located within the District.

Cove Matrix Development Ltd. (“Cove Matrix”) owned approximately 23.90 acres of land located within the District on which it developed 150 single-family residential lots that have been subdivided as Wayside Village, Section 4. Homes have been constructed on all 150 lots, and all 150 of such homes have been sold to homeowners. Cove Matrix sold 115.02 acres of land located within the District to LGI Homes – Houston. Cove Matrix owns no additional land located within the District.

LGI Homes – Houston (“LGI Homes”) owns approximately 40.72 acres of land located within the District on which it has developed 150 single-family residential lots that have been subdivided as Wayside Village, Section 5. In addition, LGI Homes owns approximately 74.31 acres of land located within the District on which it has undertaken the development of 227 single-family residential lots that have been subdivided as Wayside Village, Section 7, the development of which, including street paving, is anticipated to be completed by approximately June 2026. According to LGI Homes, it is constructing and is expected to construct homes on such lots which range in size from approximately 1,076 to 2,316 square feet of living area and in sales price from approximately \$251,900 to \$328,900. According to LGI Homes, Legend Homes is constructing homes on such lots which range in size from approximately 1,355 to 2,089 square feet of living area and in sales price from approximately \$254,990 to \$293,873. LGI Homes owns no additional land located within the District.

Rausch Coleman Homes Houston LLC, a Lennar company (“Rausch Coleman”) owns approximately 17.82 acres of land located within the District on which it has developed 79 single-family residential lots that have been subdivided as Wayside Village, Section 11, approximately 16.70 acres of land located within the District on which it has developed 77 single-family residential lots that have been subdivided as Wayside Village, Section 12, approximately 13.46 acres of land located within the District on which it has developed 80 single-family residential lots that have been subdivided as Wayside Village, Section 13, and approximately 20.26 acres of land located within the District on which it has developed 91 single-family residential lots that have been subdivided as Wayside Village, Section 14. Rausch Coleman is constructing homes on such lots which range in size from approximately 1,012 to 2,239 square feet of living area and in sales price from approximately \$208,990 to \$265,990. Rausch Coleman owns no additional land located within the District that is available for future development.

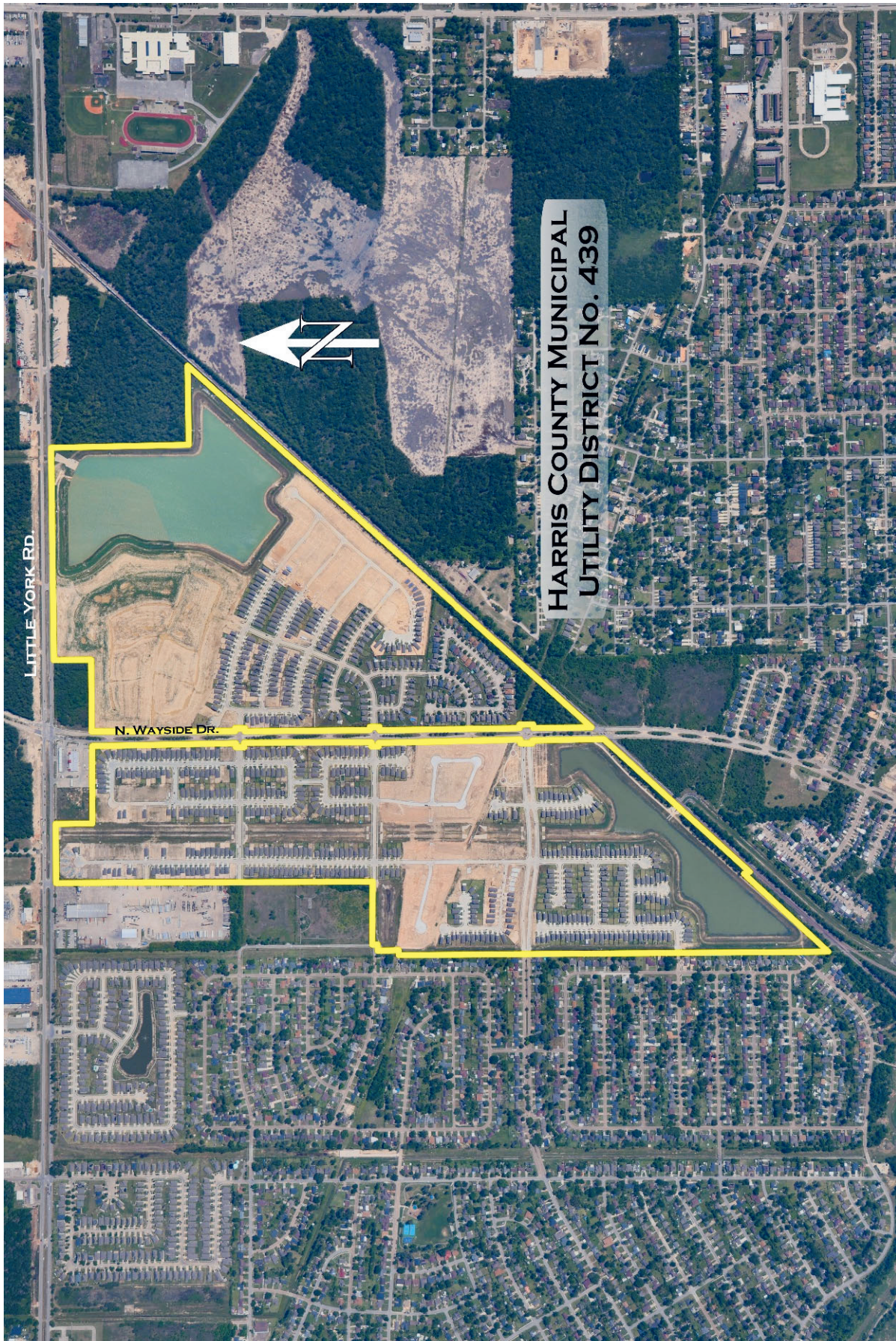
Starlight Homes, LGI Homes, Legend Homes and Rausch Coleman are sometimes collectively referred to herein as the “Builders.” CW Wayside, Cove Matrix, LGI Homes and Rausch Coleman are sometimes collectively referred to herein as the “Developers.”

Since no party, including the Developers, is under any obligation to the District to undertake or complete the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed or completed.

FUTURE DEVELOPMENT

As is described above under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” approximately 242.09 acres of the total of approximately 348.28 acres of land located within the District have been developed into 1,110 single-family residential lots, the development of which is complete; and 227 single-family residential lots are currently under development on an aggregate of 74.31 acres located within the District. The remaining acreage within the District is comprised of streets, drainage easements and open space. Since no party, including any of the Developers, is under any obligation to the District to undertake or complete the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed or completed.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken April 2025)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2025)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2025)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest*	
2025	\$124,645			\$124,645
2026	128,145		\$616,667	744,812
2027	126,495	\$170,000	462,500	758,995
2028	130,395	170,000	454,000	754,395
2029	129,195	180,000	445,500	754,695
2030	132,995	185,000	436,500	754,495
2031	131,630	200,000	427,250	758,880
2032	135,200	205,000	417,250	757,450
2033	138,590	210,000	407,000	755,590
2034	136,790	225,000	396,500	758,290
2035	139,915	230,000	385,250	755,165
2036	142,835	240,000	373,750	756,585
2037	140,540	255,000	361,750	757,290
2038	143,160	265,000	349,000	757,160
2039	145,550	275,000	335,750	756,300
2040	147,700	285,000	322,000	754,700
2041	149,700	300,000	307,750	757,450
2042	151,550	310,000	292,750	754,300
2043	158,250	320,000	277,250	755,500
2044	159,650	335,000	261,250	755,900
2045	160,900	350,000	244,500	755,400
2046	162,000	370,000	227,000	759,000
2047	162,950	385,000	208,500	756,450
2048	163,750	405,000	189,250	758,000
2049	169,400	420,000	169,000	758,400
2050	169,750	440,000	148,000	757,750
2051	169,950	460,000	126,000	755,950
2052		655,000	103,000	758,000
2053		685,000	70,250	755,250
2054		720,000	36,000	756,000
	\$3,951,630	\$9,250,000	\$8,851,167	\$22,052,797

* Interest is estimated at 5.0% per annum for purposes of illustration.

Average Annual Requirements (2026-2054)	\$ 756,143
Maximum Annual Requirement (2046)	\$ 759,000

Bonded Indebtedness

2024 Assessed Valuation	\$	111,924,677 (a)
(As of January 1, 2024)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation at April 1, 2025	\$	201,252,611 (b)
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds	\$	2,655,000
The Bonds.....	\$	<u>9,250,000</u>
Total	\$	11,905,000 (c)
Estimated Overlapping Debt	\$	<u>2,728,085</u>
Total Direct and Estimated Overlapping Debt	\$	<u>14,633,085</u>
Direct Debt Ratios		
: as a percentage of 2024 Assessed Valuation.....		10.64 %
: as a percentage of Estimated Valuation at April 1, 2025		5.92 %
Direct and Overlapping Debt Ratios		
: as a percentage of 2024 Assessed Valuation.....		13.07 %
: as a percentage of Estimated Valuation at April 1, 2025		7.27 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$	1,020,442 (d)
General Fund Balance as of February 13, 2025.....	\$	367,363
2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.49
Maintenance Tax.....		<u>0.31</u>
Total	\$	0.80 (e)

- (a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of April 1, 2025, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2024, through March 31, 2025. The ultimate Assessed Valuation of any improvements added from January 1, 2024, through December 31, 2024, will not be included on the District's 2024 tax roll but will be placed on the District's 2025 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2025. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2025, through March 31, 2025, will not be included on the District's 2025 tax roll but will be placed on the District's 2026 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2026. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (c) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Capacity/Connection Charges with the proceeds of bonds, if any, to be

issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE SYSTEM” and “RISK FACTORS - Future Debt.”

- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2025, and the capitalization by the District of \$462,500 to be deposited in the District’s Debt Service Fund upon delivery of the Bonds. The District’s remaining debt service requirements due for 2025, consisting of principal of and interest on the Outstanding Bonds, totals \$87,323 due on September 1, 2025. The District’s initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due March 1, 2026.
- (e) The District levied a debt service tax rate of \$0.49 per \$100 of Assessed Valuation plus a maintenance tax of \$0.31 per \$100 of Assessed Valuation in 2024. As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2024 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District’s 2024 tax rate, is \$2.892362 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.”

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Debt as of <u>April 1, 2025</u>	Estimated Overlapping	
		<u>Percent</u>	<u>Amount</u>
Harris County	\$2,424,019,039	0.01693%	\$410,279
Harris County Department of Education	28,960,000	0.01693%	4,902
Harris County Flood Control District	968,445,000	0.01693%	163,915
Port of Houston Authority	406,509,397	0.01693%	68,804
Harris County Hospital District	59,315,000	0.01693%	10,039
City of Houston	3,537,180,000	0.03420%	1,209,806
Houston Community College District	396,510,000	0.03937%	156,098
Houston Independent School District	1,443,670,000	0.04878%	<u>704,242</u>
Total Estimated Overlapping Debt			\$2,728,085
The District (the Bonds and the Outstanding Bonds)			<u>\$11,905,000</u>
Total Direct & Estimated Overlapping Debt			\$14,633,085

Debt Ratios

	<u>% of 2024 Assessed Valuation</u>	<u>% of Estimated Valuation at April 1, 2025</u>
Direct Debt	10.64%	5.92%
Direct and Estimated Overlapping Debt	13.07%	7.27%

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. The District levied a debt service tax in 2024 of approximately \$0.49 per \$100 of Assessed Valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On May 13, 2006, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds which may be issued in the future. The District levied a maintenance tax of \$0.31 per \$100 of Assessed Valuation for 2024, as is described below under the caption "Tax Rate Distribution."

Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2014	\$12,144,962	\$0.80	\$97,160	100.00%	2015
2015	12,419,922	0.80	99,359	100.00	2016
2016	13,443,976	0.80	107,552	100.00	2017
2017	14,029,666	0.80	112,237	100.00	2018
2018	14,198,593	0.80	113,589	100.00	2019
2019	14,539,530	0.80	116,316	99.94	2019
2020	29,411,421	0.80	235,291	99.89	2020
2021	32,171,316	0.80	257,370	99.52	2021
2022	39,309,416	0.80	314,475	99.50	2022
2023	63,572,990	0.80	508,584	97.71	2023
2024	111,924,677	0.80	895,397	95.06(c)	2024

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through February 28, 2025. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of February 28, 2025. In process of collection.

Tax Rate Distribution

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$0.49	\$0.25	\$0.35	\$0.00	\$0.00
Maintenance & Operations	<u>0.31</u>	<u>0.55</u>	<u>0.45</u>	<u>0.80</u>	<u>0.80</u>
Total	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80

Analysis of Tax Base

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

	2024		2023		2022	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
<u>Type of Property</u>						
Land	\$33,880,889	30.27%	\$23,558,086	37.06%	\$15,369,766	39.10%
Improvements	82,567,367	73.77%	45,673,382	71.84%	28,378,693	72.19%
Personal Property	680,909	0.61%	450,548	0.71%	416,338	1.06%
Exemptions	<u>(5,204,488)</u>	<u>-4.65%</u>	<u>(6,109,026)</u>	<u>-9.61%</u>	<u>(4,855,381)</u>	<u>-12.35%</u>
Total	\$111,924,677	100.00%	\$63,572,990	100.00%	\$39,309,416	100.00%

	2021		2020	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
<u>Type of Property</u>				
Land	\$11,684,953	36.32%	\$11,749,945	39.95%
Improvements	23,046,849	71.64%	21,264,308	72.30%
Personal Property	304,698	0.95%	255,773	0.87%
Exemptions	<u>(2,865,184)</u>	<u>-8.91%</u>	<u>(3,858,605)</u>	<u>-13.12%</u>
Total	\$32,171,316	100.00%	\$29,411,421	100.00%

Principal 2024 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2024. The information reflects the composition of property ownership reflected on the District's 2024 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Taxable Value</u>	<u>% of 2024 Tax Roll</u>
LGI Homes Texas, LLC *	Land, Improvements & Personal Property	\$5,126,028	4.58%
ARG VI LLC	Land and Improvements	1,653,682	1.48%
Rausch Coleman Homes Houston *	Land	1,471,539	1.31%
Legend Classic Homes Ltd. *	Land	1,337,300	1.19%
CW Wayside LLC *	Land	1,225,265	1.09%
Starlight Homes Texas LLC *	Land and Improvements	1,074,198	0.96%
Cove Matrix Development LLC *	Land	735,090	0.66%
Lennar Homes of Texas *	Land and Improvements	705,297	0.63%
Centerpoint Energy Houston	Personal Property	477,213	0.43%
Worldwide 1 Investment Group	Land and Improvements	<u>419,566</u>	<u>0.37%</u>
		14,225,178	12.71%

* See "DEVELOPERS AND HOMEBUILDERS."

Tax Exemption

The District has not adopted a residential homestead exemption for persons 65 or older or disabled persons or a general residential homestead exemption for 2024. See "TAXING PROCEDURES."

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 April 1 for personal property and July 1 for real property of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2024 Assessed Valuation or the Estimated Valuation at April 1, 2025. The calculations assume collection of 95% of taxes levied, no use of District funds on hand other than tax collections, and the sale of no bonds by the District except the Bonds.

Average Annual Debt Service Requirements (2026-2054)	\$756,143
Tax Rate of \$0.72 on the 2024 Assessed Valuation (\$111,924,677) produces.....	\$765,565
Tax Rate of \$0.40 on the Estimated Valuation at April 1, 2025 (\$201,252,611) produces	\$764,760

Maximum Annual Debt Service Requirement (2046)	\$759,000
Tax Rate of \$0.72 on the 2024 Assessed Valuation (\$111,924,677) produces.....	\$765,565
Tax Rate of \$0.40 on the Estimated Valuation at April 1, 2025 (\$201,252,611) produces	\$764,760

The District levied a debt service tax of \$0.49 per \$100 of Assessed Valuation plus a maintenance tax of \$0.31 per \$100 of Assessed Valuation for 2024. As the above table indicates, the 2024 debt service tax rate will be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds given taxable values in the District at the level of the Estimated Valuation at April 1, 2025, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds. See “TAXING PROCEDURES” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.” In addition, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District had collected 99.65% of its 2014 through 2023 tax levies as of February 28, 2025, and its 2024 tax levy, which is in the process of collection, was 95.06% collected as of such date. Moreover, the District's Debt Service Fund balance is expected to be \$1,020,442 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B”). Therefore, given these and other factors, the District anticipates that it will be able to meet the debt service requirements on the Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2024 – \$0.49 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “RISK FACTORS - Factors Affecting Taxable Values and Tax Payments.” In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Capacity/Connection Charges with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “RISK FACTORS - Future Debt.”

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to the ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate Per \$100 of A.V.</u>
Harris County	\$0.385290
Harris County Department of Education	0.004799
Harris County Flood Control District	0.048970
Port of Houston Authority	0.006150
Harris County Hospital District	0.163480
City of Houston	0.519190
Houston Community College District	0.096183
Houston Independent School District	0.868300
The District (i)	<u>0.800000</u>
	\$2.892362

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- (i) The District levied a debt service tax of \$0.49 per \$100 of Assessed Valuation plus a maintenance tax of \$0.31 per \$100 of Assessed Valuation for 2024.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under “THE BONDS - Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations, if any. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

Property Tax Code and County-wide Appraisal District

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

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if 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, 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 to 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 twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not granted a general residential homestead exemption for 2024. See "TAX DATA - Exemptions."

Freeport Goods Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption 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 for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards 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 the Appraisal Districts to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, 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) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, 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 will be made by the Board of Directors on an annual basis. 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. For the 2024 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

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 April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

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 taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS -Tax Collection Limitations."

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 tax payer 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.

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston, Harris County, and the Harris County Flood Control District.

The District is located within the corporate limits of the City of Houston (the “City”) and obtains water, sewer and drainage service from the City. The District operates subject to a Utility Agreement (see “THE DISTRICT - Utility Agreement”) to provide a water distribution system, sanitary sewer collection system and a drainage system (the “System”) to serve the District. In consideration of the District's acquiring and constructing the System, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System.

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City. All revenue from the System, including any charges which the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System, has agreed to supply the District with all of its requirements for potable water and wastewater treatment in consideration of the payment of Capacity/Connection Charges. The City's current Capacity/Connection Charge is \$1,618.11 per water connection and \$1,621.63 per sewer connection.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections (“ESFCs”) estimated at this time for the District upon the full development of its approximately 348.28 acres is approximately 1,337 with a total estimated population of 3,818 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves the 1,110 fully developed single-family residential lots located in Wayside Village, Sections 1, 2, 4 through 6, and 9 through 13 in the District as is enumerated in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.” In addition to the components of the System that the District has financed with portions of the proceeds of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”), the District expects to finance the acquisition or construction of additional components of the System and Capacity/Connection Charges with the proceeds of the sale of additional bonds in the future, if any. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt” and “RISK FACTORS - Future Debt.”

Water Supply

Water supply for the District is provided by the City pursuant to the “Utility Functions and Services Allocation Agreement” dated December 13, 2005. Pursuant to the terms of the agreement, the City agrees to provide the District's water supply requirements for up to 1,402 ESFCs. As part of the agreement, the District, or third parties on behalf of the District, shall pay water Capacity/Connection Charges. The District does not have any emergency waterline interconnection.

According to the Engineer that represents the Developers, Pape-Dawson Engineering, (i) the City is requiring that a water repressurization plant (the “Plant”) be constructed as a condition to providing water supply to the entirety of such 1,402 ESFCs; (ii) the City has provided a water capacity commitment for all 1,402 ESFCs; and (iii) the City has stated that if the design and construction of the Plant has been undertaken to the City's satisfaction, it will provide water capacity for all of such 1,402 ESFCs. Such commitments are necessary for water supply to be provided to the homes that are expected to be constructed on such 1,402 ESFCs. Water is currently being provided to the 1,110 existing homes in Wayside Village, Sections 1, 2, 4 through 6, and 9 through 13.

Wastewater Treatment

Wastewater treatment for the District is provided by the City pursuant to the “Utility Functions and Services Allocation Agreement” dated December 13, 2005. The City and the District agreed that the property within the District is designated as part of the service area of the Fresh Water Supply District No. 23 wastewater treatment plant. Pursuant to the terms of the agreement, the City agrees to provide the District’s wastewater treatment requirements and has the right to divert all or any portion of the District’s wastewater to any other City plant so long as the diversion of flows doesn’t affect the District’s capacity.

Drainage Improvements

Storm water drainage within the District is collected through an underground storm system and conveyed to the detention basins within the District boundary. Wayside village is located within the Green’s Bayou Watershed and Hall’s Bayou Watershed, and naturally drains to these two bayous via natural channels.

100-Year Flood Plain

According to the Engineer, information received through the Federal Emergency Management Agency indicates that the District is located on Flood Insurance Rate Map Panel 48201C0685L, and that no portion of the District is located within a special flood hazard area.

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

The National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. 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.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics

of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Volatility in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see “Potential Effects of Oil Price Volatility on the Houston Area” below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although the development to the date hereof is as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION” and “DEVELOPERS AND HOMEBUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See “FUTURE DEVELOPMENT.”

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

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 9.3 miles northeast of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District’s property tax base.

Developer/Builder Obligation to the District: LGI Homes Texas, LLC was the District’s largest taxpayer in 2024 with land, improvements and personal property the 2024 Assessed Valuation of which was \$5,126,028, or approximately 4.58% of the District’s 2024 tax roll. No other taxpayer owned property within the District the 2024 Assessed Valuation of which was above 1.48% of the District’s 2024 tax roll. See “DEVELOPMENT AND HOME CONSTRUCTION,” “DEVELOPERS AND HOMEBUILDERS,” “BUILDERS,” and “TAX DATA - Principal 2024 Taxpayers.” The ability of the Developers or any other principal taxpayer within the District 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. There is no commitment by or legal requirement of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the

District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See "FUTURE DEVELOPMENT."

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2024 Assessed Valuation of property located within the District is \$111,924,677. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$759,000 (2046) and the average annual debt service requirements will be \$756,143 (2026 through 2054, inclusive). Assuming no increase to nor decrease from the 2024 Assessed Valuation, a tax rate of \$0.72 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements on the Bonds and the Outstanding Bonds, assuming no use of other legally available funds on hand, and the issuance of no bonds by the District except the Bonds and the Prior Bonds. The Estimated Valuation at April 1, 2025, of property located within the District is \$201,252,611. Assuming no increase to nor decrease from the Estimated Valuation at April 1, 2025, a tax rate of \$0.40 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements on the Bonds and the Outstanding Bonds, assuming no use of other legally available funds on hand, and the issuance of no bonds by the District except the Bonds and the Prior Bonds. See "TAX DATA - Tax Rate Calculations."

The District levied a debt service tax of \$0.49 per \$100 of Assessed Valuation plus a maintenance tax of \$0.31 per \$100 of Assessed Valuation for 2024. As the above information indicates, the 2024 debt service tax rate will be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds given taxable values in the District at the level of the Estimated Valuation at April 1, 2025, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds. See "TAXING PROCEDURES" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments." In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," the District had collected 99.65% of its 2014 through 2023 tax levies as of February 28, 2025, and its 2024 tax levy, which is in the process of collection, was 95.06% collected as of such date. Moreover, the District's Debt Service Fund balance is expected to be \$1,020,442 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B"). Therefore, given these and other factors, the District anticipates that it will be able to meet the debt service requirements on the Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2024 – \$0.49 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to substantially higher levels than the approximate debt service rate of \$0.49 per \$100 of Assessed Valuation which the District levied for 2024 (plus a maintenance tax of \$0.31 per \$100 of Assessed Valuation) may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2024 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2024 tax rate, is \$2.892362 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "TAX DATA - Estimated Overlapping Taxes," "TAXING PROCEDURES," and "THE BONDS - Registered Owners' Remedies."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. 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.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

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

The District may not be placed into bankruptcy involuntarily.

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 the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has the right to issue the remaining \$29,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System (see “THE BONDS Issuance of Additional Debt”), the \$26,000,000 principal amount of unlimited tax bonds for refunding such bonds, and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$29,000,000 bonds for waterworks, wastewater, and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$29,000,000 bonds for waterworks, wastewater, and drainage facilities is also subject to TCEQ authorization.

The District's consulting engineer, IDS Engineering Group (the “Engineer”) currently estimates that the aforementioned \$29,000,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities that will be necessary to provide service to all of the currently undeveloped portions of the District. See “DEVELOPMENT AND HOME CONSTRUCTION,” “FUTURE DEVELOPMENT,” and “THE SYSTEM.” In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Capacity/Connection Charges with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT” and “THE SYSTEM.”

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) 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, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive, and the District can give no assurance that the development or building programs which are planned by the Developers or Builders or any future developer or home builder(s) will be continued or completed. The respective competitive positions of the Developers and the Builders and any other developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section. Such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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) (the "CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary

parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

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

Tax Payment Installments after Disaster

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

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

Extreme Weather Events

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

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Engineer, the District did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District's Engineer and District officials, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District.

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

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.

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 will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

Potential Effects of Oil Price Volatility on the Houston Area

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified 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 binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "TAX MATTERS."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority" and - "Bond Counsel and General Counsel," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein, and conforms to the provisions of the order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by the appropriate officers of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds and should be considered in connection with the discussion in this portion of the Official Statement.) The foregoing discussion assumes, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount 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 cover page of this Official Statement. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

stated on the cover page of this Preliminary Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the 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 Original Issue Discount 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Bond.

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

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 District 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 will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 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% disallowance of allocable interest expense.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented, or amended through the date of sale.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein that was obtained from sources other than the District. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's financial statements for the fiscal year ended April 30, 2024, were audited McCall Gibson Swedlund Barfoot Ellis PLLC, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot Ellis PLLC, has agreed to the publication of such financial statements in this Official Statement.

Experts

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

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "DISTRICT DEBT" and "TAX DATA" was provided by Bob Leared Interests, and the Appraisal District. Such information has been included herein in reliance upon Bob Leared Interests' authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, 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 or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term “material” when used in this paragraph shall have the meaning ascribed to it

under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

Official Statement “Deemed Final”

For purposes of compliance with SEC Rule 15c2-12, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an “official statement” with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds, as that term is defined in SEC Rule 15c2-12.

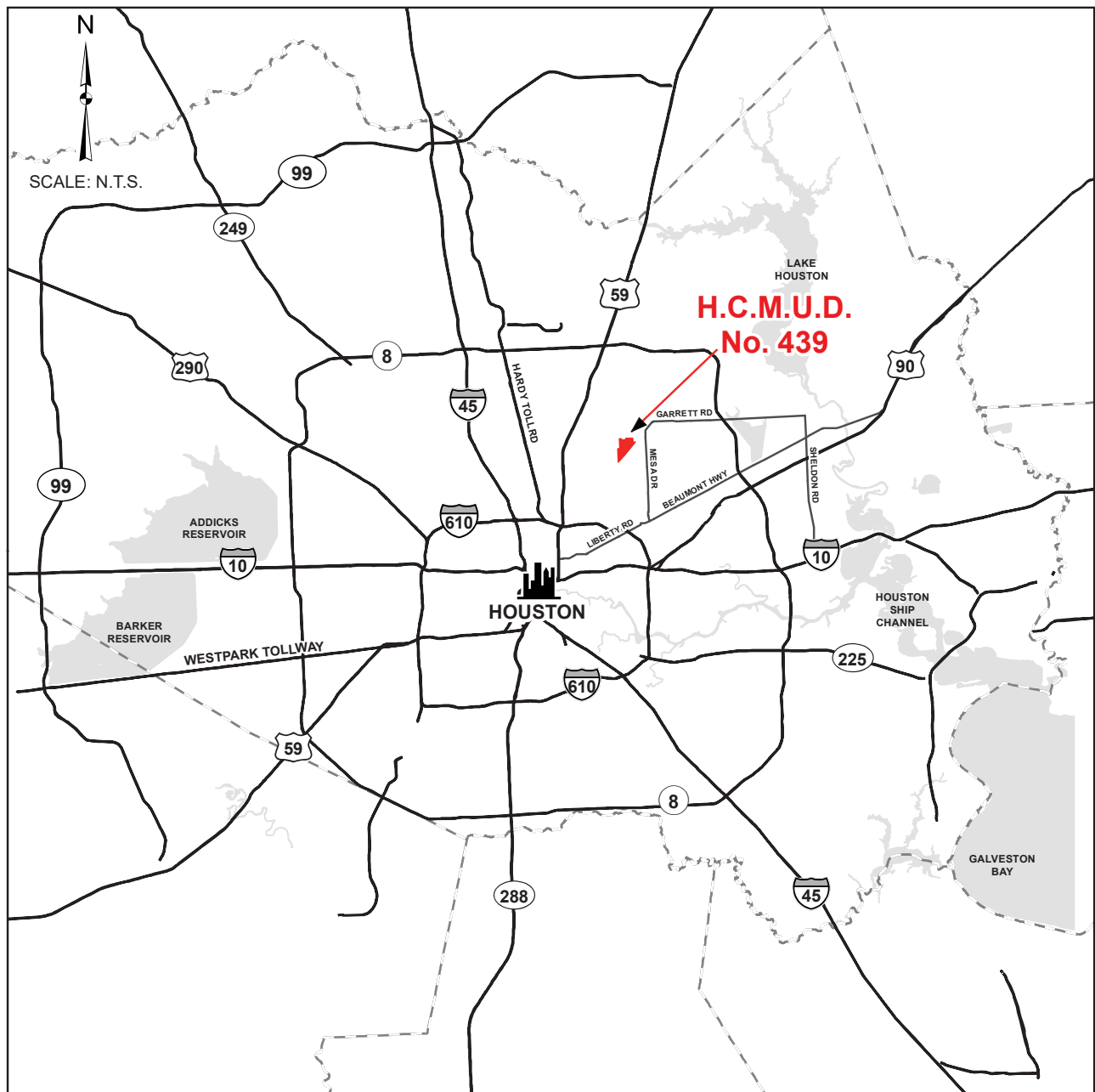
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 439 as of the date shown on the first page hereof.

President, Board of Directors
Harris County Municipal
Utility District No. 439

ATTEST:

Secretary, Board of Directors
Harris County Municipal
Utility District No. 439

LOCATION MAP



HARRIS COUNTY AREA MAP

LOCATION MAP
OF
HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT No. 439
HARRIS COUNTY, TEXAS
AUGUST 2021

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 439
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. 439 (the "District") as of and for the year ended April 30, 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 the District as of April 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 8, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

Management’s discussion and analysis of Harris County Municipal Utility District No. 439’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended April 30, 2024. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$1,466,580 as of April 30, 2024. The District is an in-City district as described in Notes 6 and 8.

A portion of the District’s net position reflects its net investment in capital assets (detention pond and intangible assets less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 802,654	\$ 784,504	\$ 18,150
Capital Assets (Net of Accumulated Depreciation)	9,958,928	3,853,649	6,105,279
Intangible Assets (Net of Accumulated Amortization)	10,703,247	5,628,876	5,074,371
Total Assets	<u>\$ 21,464,829</u>	<u>\$ 10,267,029</u>	<u>\$ 11,197,800</u>
Due to Developer	\$ 20,194,991	\$ 8,505,810	\$ (11,689,181)
Long -Term Liabilities	2,637,743	2,687,111	49,368
Other Liabilities	98,675	174,840	76,165
Total Liabilities	<u>\$ 22,931,409</u>	<u>\$ 11,367,761</u>	<u>\$ (11,563,648)</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,856,242)	\$ (1,390,359)	\$ (465,883)
Restricted	184,949	155,058	29,891
Unrestricted	204,713	134,569	70,144
Total Net Position	<u>\$ (1,466,580)</u>	<u>\$ (1,100,732)</u>	<u>\$ (365,848)</u>

The following table provides a comparative analysis of the District's operations for the year ended April 30, 2024, and April 30, 2023. The District's net position decreased by \$365,848.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 504,729	\$ 313,641	\$ 191,088
Other Revenues	39,775	25,116	14,659
Total Revenues	<u>\$ 544,504</u>	<u>\$ 338,757</u>	<u>\$ 205,747</u>
Expenses for Services	<u>910,352</u>	<u>482,800</u>	<u>(427,552)</u>
Change in Net Position	\$ (365,848)	\$ (144,043)	\$ (221,805)
Net Position, Beginning of Year	<u>(1,100,732)</u>	<u>(956,689)</u>	<u>(144,043)</u>
Net Position, End of Year	<u>\$ (1,466,580)</u>	<u>\$ (1,100,732)</u>	<u>\$ (365,848)</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of April 30, 2024, were \$741,864, an increase of \$75,263 from the prior year.

The District's General Fund fund balance increased by \$53,889, primarily due to property tax revenues exceeding operating costs and capital outlay.

The Debt Service Fund fund balance increased by \$22,094, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund decreased by \$720, due to costs exceeding interest revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$160,109 more than budgeted revenues, actual expenditures were \$160,425 more than budgeted expenditures and actual developer contributions were \$36,802 more than budgeted, which resulted in a positive variance of \$36,486. See the budget to actual comparison for more information.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of April 30, 2024, total \$9,958,928 and include detention facilities which the District is responsible for maintaining. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$	\$ 560,815	\$ (560,815)
Capital Assets, Net of Accumulated Depreciation:			
Detention Facilities	<u>9,958,928</u>	<u>3,292,834</u>	<u>6,666,094</u>
Total Net Capital Assets	<u>\$ 9,958,928</u>	<u>\$ 3,853,649</u>	<u>\$ 6,105,279</u>

Intangible assets as of April 30, 2024 total \$10,703,247 (net of accumulated amortization). These intangible assets include right to receive water and wastewater service. Additional information on the District's intangible assets can be found in Note 6.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024

CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)

Intangible Assets At Year-End, Net of Accumulated Amortization			
	2024	2023	Change Positive (Negative)
Right to receive service	\$ 11,450,474	\$ 6,094,217	\$ (5,356,257)
Less: Accumulated Amortization	<u>747,227</u>	<u>465,341</u>	<u>(281,886)</u>
Total Net Intangible Assets	<u>\$ 10,703,247</u>	<u>\$ 5,628,876</u>	<u>\$ 5,074,371</u>

The District is located within the city limits of the City of Houston (the “City”). In accordance with a Utility Functions and Services Allocation Agreement with the City, all water and wastewater facilities and certain storm water facilities are conveyed to the City once constructed and placed in service. The City operates the facilities and is responsible for the maintenance. To date, utilities in Wayside Village, Sections 1, 2, 4, 6, 9, 11, 12 and 13 have been constructed and conveyed to the City.

LONG-TERM DEBT ACTIVITY

As of April 30, 2024, the District had total bond debt payable in the principal amount of \$2,705,000. The changes in the debt position of the District during the fiscal year ended April 30, 2024, are summarized as follows:

Bond Debt Payable, May 1, 2023	\$ 2,750,000
Less: Bond Principal Paid	<u>45,000</u>
Bond Debt Payable, April 30, 2024	<u>\$ 2,705,000</u>

The District’s Series 2021 bonds are noted rated or insured.

The District has recorded a liability to the Developer of \$20,194,991 for costs paid by the Developer including the construction of District facilities in Wayside Village, Sections 1, 2, 4, 6, 9, 11, 12 and 13 and operating advances.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 439, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 645	\$ 33,137
Investments	353,265	187,000
Receivables:		
Property Taxes	20,529	8,873
Penalty and Interest on Delinquent Taxes		
Due from Other Funds	25,279	5,000
Prepaid Costs	4,312	
Capital Assets (Net of Accumulated Depreciation)		
Intangible Assets (Net of Accumulated Amortization)		
TOTAL ASSETS	<u>\$ 404,030</u>	<u>\$ 234,010</u>
LIABILITIES		
Accounts Payable	\$ 22,599	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	5,000	25,279
Due to Taxpayers		1,913
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 27,599</u>	<u>\$ 27,192</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 20,529</u>	<u>\$ 8,873</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 4,312	\$
Restricted for Authorized Construction		
Restricted for Debt Service		197,945
Unassigned	351,590	
TOTAL FUND BALANCES	<u>\$ 355,902</u>	<u>\$ 197,945</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 404,030</u>	<u>\$ 234,010</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 622	\$ 34,404	\$	\$ 34,404
189,689	729,954		729,954
	29,402		29,402
		4,582	4,582
	30,279	(30,279)	
	4,312		4,312
		9,958,928	9,958,928
		10,703,247	10,703,247
<u>\$ 190,311</u>	<u>\$ 828,351</u>	<u>\$ 20,636,478</u>	<u>\$ 21,464,829</u>
\$ 2,294	\$ 24,893	\$	\$ 24,893
		21,869	21,869
		20,194,991	20,194,991
	30,279	(30,279)	
	1,913		1,913
		50,000	50,000
		2,637,743	2,637,743
<u>\$ 2,294</u>	<u>\$ 57,085</u>	<u>\$ 22,874,324</u>	<u>\$ 22,931,409</u>
<u>\$ -0-</u>	<u>\$ 29,402</u>	<u>\$ (29,402)</u>	<u>\$ -0-</u>
\$	\$ 4,312	\$ (4,312)	\$
188,017	188,017	(188,017)	
	197,945	(197,945)	
	351,590	(351,590)	
<u>\$ 188,017</u>	<u>\$ 741,864</u>	<u>\$ (741,864)</u>	<u>\$ -0-</u>
<u>\$ 190,311</u>	<u>\$ 828,351</u>		
		\$ (1,856,242)	\$ (1,856,242)
		184,949	184,949
		204,713	204,713
		<u>\$ (1,466,580)</u>	<u>\$ (1,466,580)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2024

Total Fund Balances - Governmental Funds	\$	741,864
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,662,175
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		33,984
--	--	--------

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

Due to Developer	\$ (20,194,991)	
Accrued Interest Payable	(21,869)	
Bonds Payable Within One Year	(50,000)	
Bonds Payable After One Year	<u>(2,637,743)</u>	<u>(22,904,603)</u>
Total Net Position - Governmental Activities		<u>\$ (1,466,580)</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 333,007	\$ 150,367
Penalty and Interest		5,348
Investment Revenues	13,985	7,820
Miscellaneous Revenues		40
TOTAL REVENUES	<u>\$ 346,992</u>	<u>\$ 163,575</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 111,127	\$ 1,251
Contracted Services	22,085	14,384
Repairs and Maintenance	109,226	
Depreciation/Amortization		
Other	22,665	4,026
Capital Outlay	36,802	
Debt Service:		
Bond Principal		45,000
Bond Interest		76,820
Bond Issuance Costs	28,000	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 329,905</u>	<u>\$ 141,481</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 17,087</u>	<u>\$ 22,094</u>
OTHER FINANCING SOURCES (USES)		
Developer Contributions	\$ 36,802	\$
NET CHANGE IN FUND BALANCES	\$ 53,889	\$ 22,094
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MAY 1, 2023	<u>302,013</u>	<u>175,851</u>
FUND BALANCES/NET POSITION - APRIL 30, 2024	<u>\$ 355,902</u>	<u>\$ 197,945</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 483,374	\$ 21,355	\$ 504,729
	5,348	2,310	7,658
10,272	32,077		32,077
	40		40
<u>\$ 10,272</u>	<u>\$ 520,839</u>	<u>\$ 23,665</u>	<u>\$ 544,504</u>
\$ 10,537	\$ 122,915	\$	\$ 122,915
	36,469		36,469
	109,226		109,226
		509,531	509,531
455	27,146		27,146
	36,802	(36,802)	
	45,000	(45,000)	
	76,820	245	77,065
	28,000		28,000
<u>\$ 10,992</u>	<u>\$ 482,378</u>	<u>\$ 427,974</u>	<u>\$ 910,352</u>
<u>\$ (720)</u>	<u>\$ 38,461</u>	<u>\$ (404,309)</u>	<u>\$ (365,848)</u>
<u>\$</u>	<u>\$ 36,802</u>	<u>\$ (36,802)</u>	<u>\$</u>
\$ (720)	\$ 75,263	\$ (75,263)	\$
		(365,848)	(365,848)
<u>188,737</u>	<u>666,601</u>	<u>(1,767,333)</u>	<u>(1,100,732)</u>
<u>\$ 188,017</u>	<u>\$ 741,864</u>	<u>\$ (2,208,444)</u>	<u>\$ (1,466,580)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2024

Net Change in Fund Balances - Governmental Funds	\$ 75,263
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	21,355
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	2,310
Governmental funds do not account for depreciation or amortization. However, in the Statement of Net Position, capital assets are depreciated, intangible assets are amortized, and depreciation and amortization expense is recorded in the Statement of Activities.	(509,531)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	36,802
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	45,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(245)
Governmental funds report developer contributions as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	(36,802)
Change in Net Position - Governmental Activities	<u>\$ (365,848)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 439 (the “District”) was created effective February 14, 2006 by an order of the Texas Commission on Environmental Quality, (the “Commission”). The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater, drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District held its first meeting on March 7, 2006, and the first bonds were sold on November 16, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of April 30, 2024, the Debt Service Fund owes the General Fund \$25,279 for maintenance tax revenues and the General Fund owes the Debt Service Fund \$5,000 for an erroneous tax transfer.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City and amortized over the term of the applicable service contract, which is 50 years from the execution date of the contract.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Detention facilities are depreciated over periods ranging from 10 to 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund present the original budget and, if applicable, the amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Series 2021</u>
Amount Outstanding – April 30, 2024	\$ 2,705,000
Interest Rates	2.00% - 3.00%
Maturity Date	September 1, 2024/2051
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2026*

- * Or on any date thereafter, at par plus unpaid accrued interest to the date of redemption, in whole or in part, at the option of the District. Series 2021 term bonds due September 1, 2042, September 1, 2046, and September 1, 2051 are subject to mandatory redemption by random selection beginning September 1, 2039, September 1, 2043, and September 1, 2047, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding long-term liabilities for the year ended April 30, 2024:

	May 1, 2023	Additions	Retirements	April 30, 2024
Bonds Payable	\$ 2,750,000	\$	\$ 45,000	\$ 2,705,000
Unamortized Discounts	(29,389)		(1,039)	(28,350)
Unamortized Premiums	11,500		407	11,093
Total Long-Term Liabilities	<u>\$ 2,732,111</u>	<u>\$ -0-</u>	<u>\$ 44,368</u>	<u>\$ 2,687,743</u>
			Amount Due Within One Year	\$ 50,000
			Amount Due After One Year	<u>2,637,743</u>
			Total Long-Term Liabilities	<u>\$ 2,687,743</u>

As of April 30, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 50,000	\$ 75,395	\$ 125,395
2026	50,000	73,895	123,895
2027	55,000	72,320	127,320
2028	55,000	70,945	125,945
2029	60,000	69,795	129,795
2030-2034	335,000	328,907	663,907
2035-2039	415,000	282,620	697,620
2040-2044	530,000	214,800	744,800
2045-2049	675,000	124,125	799,125
2050-2052	480,000	21,900	501,900
	<u>\$ 2,705,000</u>	<u>\$ 1,334,702</u>	<u>\$ 4,039,702</u>

At an election within the District on May 13, 2006, voters approved the issuance of water and sewer bonds up to a maximum of \$41,000,000 and refunding bonds up to a maximum of \$26,000,000. As of April 30, 2024, the District had authorized but unissued bonds in the amount of \$38,250,000 for utility facilities and \$26,000,000 for refunding.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended April 30, 2024, the District levied an ad valorem debt service tax rate of \$0.25 per \$100 of taxable valuation, which resulted in a tax levy of \$157,604 on the adjusted taxable valuation of \$63,041,827 for the 2023 tax year. The bond resolution requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolution states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$34,404 and the bank balance was \$31,901. The District was not exposed to custodial credit risk at fiscal year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at April 30, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 645
DEBT SERVICE FUND	33,137
CAPITAL PROJECTS FUND	<u>622</u>
TOTAL DEPOSITS	<u>\$ 34,404</u>

Investments

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of April 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 353,265	\$ 353,265
<u>DEBT SERVICE FUND</u>		
Texas CLASS	187,000	187,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>189,689</u>	<u>189,689</u>
TOTAL INVESTMENTS	<u>\$ 729,954</u>	<u>\$ 729,954</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At April 30, 2024, the District's investments in Texas CLASS was rated "AAAm" by Standard & Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2024

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

As of April 30, 2024, the District had the following capital assets:

	May 1, 2023	Increases	Decreases	April 30, 2024
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 560,815	\$ 36,802	\$ 597,617	\$ - 0 -
Capital Assets Subject to Depreciation				
Detention Facilities	\$ 3,374,572	\$ 6,893,739	\$ - 0 -	\$ 10,268,311
Accumulated Depreciation				
Detention Facilities	\$ 81,738	\$ 227,645	\$ - 0 -	\$ 309,383
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 3,292,834	\$ 6,666,094	\$ - 0 -	\$ 9,958,928
Total Capital Assets, Net of Accumulated Depreciation	\$ 3,853,649	\$ 6,702,896	\$ 597,617	\$ 9,958,928

In accordance with a Utility Functions and Services Allocation Agreement (see Note 8), the water, wastewater and certain storm water capital assets constructed by the District's Developer, for which the District has recorded a liability in the Statement of Net Position, have been conveyed to the City of Houston for operations and maintenance. As a result of the conveyance of these assets, the City can agree to provide water and wastewater services to the District, contingent upon customer payment for those services, which becomes an intangible asset of the District. As of April 30, 2024, the District had the following intangible assets:

	May 1, 2023	Increases	Decreases	April 30, 2024
Intangible Assets Subject to Amortization				
Right to receive service	\$ 6,094,217	\$ 5,356,257	\$ - 0 -	\$ 11,450,474
Accumulated Amortization				
Right to receive service	\$ 465,341	\$ 281,886	\$ - 0 -	\$ 747,227
Total Intangible Assets, Net of Accumulated Amortization	\$ 5,628,876	\$ 5,074,371	\$ - 0 -	\$ 10,703,247

NOTE 7. MAINTENANCE TAX

On May 13, 2006, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended April 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.55 per \$100 of assessed valuation, which resulted in a tax levy of \$346,730 on the adjusted taxable valuation of \$63,041,827 for the 2023 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 8. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT

On October 12, 2006, the District assumed the responsibility for a Utility Functions and Services Allocation Agreement (the “Agreement”) previously executed by a Developer within the District on behalf of the District. The Agreement dated September 5, 2006, was between the City of Houston, Texas (the “City”) and a Developer in the District. The Agreement acknowledges that the District is within the corporate limits of the City. The Agreement provides and the District will acquire, for the benefit of and conveyance to the City, the water and wastewater and certain storm drainage facilities needed to serve lands being developed within and near the boundaries of the District in order to enhance the economic feasibility of the District. The Agreement further provides that the City agrees to pay a portion of the construction costs of said utilities through “Developer Participation Contracts” between the City and the Developer and/or through “Interlocal Agreements” with the District. In accordance with the Agreement, if the City does not make the payments as noted in the “Developer Participation Contracts” or the “Interlocal Agreements”, the City will be required to make annual payments and monthly revenue payments to the District as outlined in the Agreement. The City will be required to make the annual payments and the monthly revenue payments until the date the total sum of all payments equals the total principal sum that would have been due under the “Developer Participation Contracts” and “Interlocal Agreements”.

As facilities are acquired, constructed and conveyed to the City, the City will assume responsibility for operation and maintenance of the water, wastewater and certain storm water drainage facilities. The City will bill and collect for water and wastewater services from the customers within the District at the same rates as those the City charges its other customers.

The District and the City acknowledge that the City has the legal authority to dissolve the District at any time, should the appropriate circumstances exist. The Agreement will remain in effect until the earlier of 50 years or the dissolution of the District by the City.

NOTE 9. UNREIMBURSED COSTS

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to make operating advances as well as fund costs associated with water, sewer and drainage facilities until such time as the District can sell bonds. A total of \$2,437,076 has been recorded for utilities construction in Wayside Village, Sections 1 and 2. \$2,145,206 was reimbursed in prior years. A total of \$19,129,204 has been recorded for utility and road construction in Wayside Village, Sections 4, 6, 9, 11, 12, 13 and the East and West Detention Ponds. Also, a total of \$597,617 has been recorded for due to developers for the offsite waterline extension. In addition, to date, \$289,300 has been recorded for advances to cover operating costs. \$113,000 was reimbursed in a prior year. As reflected on the Statement of Net Position, \$20,194,991 has been recorded as due to Developers as of April 30, 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 10. RISK MANAGEMENT

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 173,083	\$ 333,007	\$ 159,924
Investment Revenues	<u>13,800</u>	<u>13,985</u>	<u>185</u>
TOTAL REVENUES	<u>\$ 186,883</u>	<u>\$ 346,992</u>	<u>\$ 160,109</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 77,500	\$ 111,127	\$ (33,627)
Contracted Services	19,800	22,085	(2,285)
Repairs and Maintenance	46,800	109,226	(62,426)
Other	25,380	50,665	(25,285)
Capital Outlay	<u> </u>	<u>36,802</u>	<u>(36,802)</u>
TOTAL EXPENDITURES	<u>\$ 169,480</u>	<u>\$ 329,905</u>	<u>\$ (160,425)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 17,403</u>	<u>\$ 17,087</u>	<u>\$ (316)</u>
OTHER FINANCING SOURCES(USES)			
Developer Contributions	<u>\$</u>	<u>\$ 36,802</u>	<u>\$ 36,802</u>
NET CHANGE IN FUND BALANCE	\$ 17,403	\$ 53,889	\$ 36,486
FUND BALANCE - MAY 1, 2023	<u>302,013</u>	<u>302,013</u>	<u> </u>
FUND BALANCE - APRIL 30, 2024	<u><u>\$ 319,416</u></u>	<u><u>\$ 355,902</u></u>	<u><u>\$ 36,486</u></u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

APRIL 30, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

SERVICES AND RATES

FOR THE YEAR ENDED APRIL 30, 2024

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

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

Pursuant to the Utility Functions and Services Allocation Agreement, the water, wastewater and certain storm water facilities constructed by the District have been conveyed to the City. The District retains ownership of the storm water detention facilities. The City owns, operates and maintains facilities which the District conveys to the City for the benefit of the residents of the District.

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective N/A.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

Total monthly charges per 10,000 gallons usage: Water: \$N/A Wastewater: \$N/A Surcharge: \$N/A Total: \$N/A

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439

SERVICES AND RATES

FOR THE YEAR ENDED APRIL 30, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Not Applicable)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤¾"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Not Applicable)

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

Does the District have Debt Service standby fees? Yes No X

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2024

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which the District is located:

Harris County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City in which the District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2024

PROFESSIONAL FEES:	
Auditing	\$ 13,750
Engineering	38,320
Legal	<u>59,057</u>
TOTAL PROFESSIONAL FEES	<u>\$ 111,127</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 22,085</u>
REPAIRS AND MAINTENANCE	<u>\$ 109,226</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,074
Insurance	3,589
Office Supplies and Postage	2,359
Payroll Taxes	847
Travel and Meetings	1,379
Other	<u>3,417</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 22,665</u>
TOTAL CAPITAL OUTLAY	<u>\$ 36,802</u>
BOND ISSUANCE COSTS	<u>\$ 28,000</u>
TOTAL EXPENDITURES	<u><u>\$ 329,905</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
INVESTMENTS
APRIL 30, 2024

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 353,265	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 187,000	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 189,689	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 729,954</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
MAY 1, 2023	\$	6,584	\$	1,463
Adjustments to Beginning				
Balance		<u>222</u>		<u>173</u>
	\$	6,806	\$	1,636
Original 2023 Tax Levy	\$	310,863	\$	141,301
Adjustment to 2023 Tax Levy		<u>35,867</u>		<u>16,303</u>
		<u>346,730</u>		<u>157,604</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 353,536		\$ 159,240
TAX COLLECTIONS:				
Prior Years	\$	4,450	\$	1,023
Current Year		<u>328,557</u>		<u>149,344</u>
		<u>333,007</u>		<u>150,367</u>
TAXES RECEIVABLE -				
APRIL 30, 2024		<u>\$ 20,529</u>		<u>\$ 8,873</u>
TAXES RECEIVABLE BY				
YEAR:				
2023	\$	18,173	\$	8,260
2022		787		613
2021		1,233		
2020		270		
2019		<u>66</u>		<u></u>
TOTAL	\$	<u>20,529</u>	\$	<u>8,873</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2024

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 23,409,760	\$ 15,369,766	\$ 11,684,953	\$ 11,749,945
Improvements	45,070,630	28,378,693	23,046,849	21,264,308
Personal Property	426,833	392,733	280,541	190,920
Exemptions	<u>(5,865,396)</u>	<u>(4,904,722)</u>	<u>(2,809,647)</u>	<u>(3,802,556)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 63,041,827</u>	<u>\$ 39,236,470</u>	<u>\$ 32,202,696</u>	<u>\$ 29,402,617</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.25	\$ 0.35	\$ 0.00	\$ 0.00
Maintenance	<u>0.55</u>	<u>0.45</u>	<u>0.80</u>	<u>0.80</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.80</u>	<u>\$ 0.80</u>	<u>\$ 0.80</u>	<u>\$ 0.80</u>
ADJUSTED TAX LEVY*	<u>\$ 504,334</u>	<u>\$ 313,893</u>	<u>\$ 257,621</u>	<u>\$ 235,221</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>94.76 %</u>	<u>99.55 %</u>	<u>99.52 %</u>	<u>99.89 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 13, 2006.

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2024

S E R I E S - 2 0 2 1				
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2025	\$ 50,000	\$ 75,395	\$	125,395
2026	50,000	73,895		123,895
2027	55,000	72,320		127,320
2028	55,000	70,945		125,945
2029	60,000	69,795		129,795
2030	60,000	68,595		128,595
2031	65,000	67,312		132,312
2032	65,000	65,915		130,915
2033	70,000	64,395		134,395
2034	75,000	62,690		137,690
2035	75,000	60,853		135,853
2036	80,000	58,875		138,875
2037	85,000	56,687		141,687
2038	85,000	54,350		139,350
2039	90,000	51,855		141,855
2040	95,000	49,125		144,125
2041	100,000	46,200		146,200
2042	105,000	43,125		148,125
2043	110,000	39,900		149,900
2044	120,000	36,450		156,450
2045	125,000	32,775		157,775
2046	130,000	28,950		158,950
2047	135,000	24,975		159,975
2048	140,000	20,850		160,850
2049	145,000	16,575		161,575
2050	155,000	12,075		167,075
2051	160,000	7,350		167,350
2052	165,000	2,475		167,475
	<u>\$ 2,705,000</u>	<u>\$ 1,334,702</u>	<u>\$</u>	<u>4,039,702</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED APRIL 30, 2024

Description	Original Bonds Issued	Bonds Outstanding May 1, 2023
Harris County Municipal Utility District No. 439 Unlimited Tax Bonds - Series 2021	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>
Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 41,000,000	\$ 26,000,000
Amount Issued	<u>2,750,000</u>	
Remaining to be Issued	<u>\$ 38,250,000</u>	<u>\$ - 0 -</u>
	*	
Debt Service Fund cash, investments and cash with paying agent balances as of April 30, 2024:		<u>\$ 220,137</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 144,275</u>

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding April 30, 2024	Paying Agent
	Principal	Interest		
<u>\$ - 0 -</u>	<u>\$ 45,000</u>	<u>\$ 76,820</u>	<u>\$ 2,705,000</u>	The Bank of New York Mellon Trust Company Dallas, TX

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts			
	2024	2023	2022	2021
REVENUES				
Property Taxes	\$ 333,007	\$ 177,946	\$ 258,219	\$ 231,891
Penalty and Interest			2,676	100
Investment Revenues	13,985	9,730	397	602
Miscellaneous Revenues			50	61
TOTAL REVENUES	<u>\$ 346,992</u>	<u>\$ 187,676</u>	<u>\$ 261,342</u>	<u>\$ 232,654</u>
EXPENDITURES				
Professional Fees	\$ 111,127	\$ 143,276	\$ 132,200	\$ 109,610
Contracted Services	22,085	19,220	28,315	18,847
Repairs and Maintenance	109,226	32,501	32,501	47,430
Other	50,665	20,279	22,266	21,953
Capital Outlay	<u>36,802</u>	<u>22,600</u>		
TOTAL EXPENDITURES	<u>\$ 329,905</u>	<u>\$ 237,876</u>	<u>\$ 215,282</u>	<u>\$ 197,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 17,087</u>	<u>\$ (50,200)</u>	<u>\$ 46,060</u>	<u>\$ 34,814</u>
OTHER FINANCING SOURCES (USES)				
Developer Contributions	<u>\$ 36,802</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 53,889</u>	<u>\$ (50,200)</u>	<u>\$ 46,060</u>	<u>\$ 34,814</u>
BEGINNING FUND BALANCE	<u>302,013</u>	<u>352,213</u>	<u>306,153</u>	<u>271,339</u>
ENDING FUND BALANCE	<u>\$ 355,902</u>	<u>\$ 302,013</u>	<u>\$ 352,213</u>	<u>\$ 306,153</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues				
2020	2024	2023	2022	2021	2020
\$ 114,228	96.0 %	94.8 %	98.8 %	99.7 %	95.0 %
201			1.0		0.2
5,385	4.0	5.2	0.2	0.3	4.5
418					0.3
<u>\$ 120,232</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 97,521	32.0 %	76.3 %	50.6 %	47.1 %	81.1 %
14,122	6.4	10.2	10.8	8.1	11.7
64,139	31.5	17.3	12.4	20.4	53.3
18,812	14.6	10.8	8.5	9.4	15.6
	10.6	12.0			
<u>\$ 194,594</u>	<u>95.1 %</u>	<u>126.6 %</u>	<u>82.3 %</u>	<u>85.0 %</u>	<u>161.7 %</u>
<u>\$ (74,362)</u>	<u>4.9 %</u>	<u>(26.6) %</u>	<u>17.7 %</u>	<u>15.0 %</u>	<u>(61.7) %</u>
<u>\$ -0-</u>					
\$ (74,362)					
345,701					
<u>\$ 271,339</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts			
	2024	2023	2022	2021
REVENUES				
Property Taxes	\$ 150,367	\$ 135,865		
Penalty and Interest	5,348	3,697		
Interest on Investments	7,820	4,198		
Miscellaneous Revenues	40	145	131	
TOTAL REVENUES	<u>\$ 163,575</u>	<u>\$ 143,905</u>	<u>\$ 131</u>	<u>N/A</u>
EXPENDITURES				
Tax Collection Expenditures	\$ 18,911	\$ 15,606	\$ 95	
Debt Service Principal	45,000			
Debt Service Interest and Fees	77,570	100,848		
Bond Issuance Costs				
Payment to Refunded Bond Escrow Agent				
TOTAL EXPENDITURES	<u>\$ 141,481</u>	<u>\$ 116,454</u>	<u>\$ 95</u>	<u>N/A</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 22,094</u>	<u>\$ 27,451</u>	<u>\$ 36</u>	<u>N/A</u>
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 148,364</u>	<u>N/A</u>
NET CHANGE IN FUND BALANCE	<u>\$ 22,094</u>	<u>\$ 27,451</u>	<u>\$ 148,400</u>	<u>N/A</u>
BEGINNING FUND BALANCE	<u>175,851</u>	<u>148,400</u>		
ENDING FUND BALANCE	<u><u>\$ 197,945</u></u>	<u><u>\$ 175,851</u></u>	<u><u>\$ 148,400</u></u>	<u><u>N/A</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues				
2020	2024	2023	2022	2021	2020
	91.9 %	94.4 %			
	3.3	2.6			
	4.8	2.9			
		0.1	100.0		
N/A	100.0 %	100.0 %	100.0 %	N/A %	N/A %
	11.6 %	10.8 %	72.5 %		
	27.5				
	47.4	70.1			
N/A	86.5 %	80.9 %	72.5 %	N/A %	N/A %
N/A	13.5 %	19.1 %	27.5 %	N/A %	N/A %
N/A					
N/A					
N/A					
N/A					
N/A					
N/A					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2024

District Mailing Address - Harris County Municipal Utility District No. 439
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended April 30, 2024	Expense Reimbursements for the year ended April 30, 2024	Title
Adam Kramer	05/22 - 05/26 (Elected)	\$ 1,626	\$ 32	President
Jonathan Reichek	02/22 - 05/24 (Appointed)	\$ 2,068	\$ -0-	Vice President
Nancy Zimmerman	05/22 - 05/26 (Elected)	\$ 2,510	\$ 238	Secretary
Bonny Beasley	05/20 - 05/24 (Elected)	\$ 2,510	\$ 138	Assistant Vice President/ Assistant Secretary
Steven Burgess	05/22 - 05/26 (Elected)	\$ 2,360	\$ 222	Assistant Vice President/ Assistant Secretary

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

The submission date of the most recent District Registration Form: May 9, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 13, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 439
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	03/07/06	\$ 69,594	Attorney
McCall Gibson Swedlund Barfoot PLLC	04/12/07	\$ 13,750	Auditor
McLennan & Associates, LP	05/17/06	\$ 25,223	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/09/07	\$ 1,251	Delinquent Tax Attorney
IDS Engineering Group	05/17/06	\$ 66,320	Engineer
Rathmann & Associates, L.P.	05/17/06	\$ -0-	Financial Advisor
Jorge Diaz	02/09/17	\$ -0-	Investment Officer
Bob Leared Interests	05/17/06	\$ 12,943	Tax Assessor/ Collector

See accompanying independent auditor's report.

