

This Preliminary Official Statement and 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.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 23, 2025

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the purpose of soliciting initial bids on the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

IN THE OPINION OF BOND COUNSEL (AS DEFINED HEREIN), UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS WILL NOT BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry - Only

See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

\$5,200,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
(A political subdivision of the State of Texas located within Harris County)
CONTRACT REVENUE BONDS, SERIES 2025A

The bonds described above (the "Bonds") are special obligations of Harris County Municipal Utility District No. 478 (the "Master District" or the "District") payable solely from and to the extent of payments required to be made to the Paying Agent/Registrar (as herein defined) by all utility districts within the Master District's Service Area that have executed the Master District Contract (the "MUD Participants") from proceeds of an unlimited annual ad valorem tax, levied by each MUD Participant or from other revenues available to such MUD Participant (the "Contract Payments"). Payment of Contract Payments by MUD Participants and use of such proceeds by the Master District to pay debt service on the Outstanding Bonds and the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Jubilee Facilities (as amended, the "Master District Contract") as described more fully herein under "MASTER DISTRICT CONTRACT." The Bonds are obligations of the Master District and are not obligations of the State of Texas, Harris County, Texas ("Harris County"), the City of Houston, Texas ("City of Houston") any of the MUD Participants (except the Master District), or any entity other than the Master District.

Dated: July 1, 2025

Due: December 1, as shown below

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar", "Paying Agent" or "Registrar"). Interest on the Bonds will accrue from July 1, 2025, and is payable on June 1, 2026 (eleven months of interest) and on each December 1 and June 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be initially 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 "BOOK-ENTRY-ONLY SYSTEM."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

Due Dec. 1	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number 41431K (c)	Due Dec. 1	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number 41431K (c)
2026	\$ 45,000				2039	\$ 210,000 (d)			
2027	115,000				2040	220,000 (d)			
2028	120,000				2041	230,000 (d)			
2029	125,000				2042	240,000 (d)			
2030	135,000				2043	255,000 (d)			
2031	140,000 (d)				2044	265,000 (d)			
2032	145,000 (d)				2045	280,000 (d)			
2033	155,000 (d)				2046	295,000 (d)			
2034	160,000 (d)				2047	305,000 (d)			
2035	170,000 (d)				2048	325,000 (d)			
2036	180,000 (d)				2049	340,000 (d)			
2037	190,000 (d)				2050	355,000 (d)			
2038	200,000 (d)								

- (a) The Initial Purchaser (as defined herein) may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from July 1, 2025, is to be added to the price.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (d) Bonds maturing on and after December 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 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. See "THE BONDS-Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of 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 subject to special investment risks described herein. See "RISK FACTORS."

The Bonds are offered, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 29, 2025, in Houston, Texas.

Bids Due: Wednesday, June 25, 2025, at 10:00 A.M., Houston Time in Houston, Texas
Bid Award: Wednesday, June 25, 2025, at 2:00 P.M., Houston Time in Houston, Texas

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an "official statement" with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This document, when further supplemented by adding additional 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 such term is defined in Rule 15c2-12.

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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE MASTER DISTRICT

Description.....Harris County Municipal Utility District No. 478 (the “Master District” or the “District”) is a political subdivision of the State of Texas, created by the Texas Legislature by SB 1039, as passed by the 81st legislature, codified under Chapter 8334, Special District Local Laws Code on June 19, 2009, operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District, as a MUD Participant (as hereinafter defined), will provide water, sanitary sewer, and drainage facilities to the approximate 8.5 acres of land within its boundaries. The District, as the Master District, serves as the provider of regional water, sanitary sewer, drainage, park/recreational and road facilities for an approximately 618.5-acre service area (the “Service Area”) comprised of the District as a participant and Harris County Municipal Utility District No. 477 (“MUD 477”), and are herein collectively referred to as the “MUD Participants.” See “THE MUD PARTICIPANTS” and “THE DISTRICT AND THE SERVICE AREA.”

Location.....The Service Area is located approximately 40 miles northwest of the central downtown business district of the City of Houston, Texas (“City of Houston”) in Harris County, Texas (“Harris County”). The Service Area lies wholly within the extraterritorial jurisdiction of the City of Houston, and within the boundaries of Waller Independent School District. Access to the Service Area is provided via U.S. Route 290 West. See “THE DISTRICT AND THE SERVICE AREA.”

Service Area.....The Service Area is currently comprised of approximately 618.5 acres, which consists of a portion of Jubilee, an approximately 1,212.29-acre master-planned community, and Hockley Meadows, a 165.71-acre master-planned community.

The District will ultimately serve as a provider of regional water, wastewater, drainage, park/recreational and road facilities to the approximately 1,378-acre Service Area which includes the following municipal utility districts: the District, MUD 477, Harris County Municipal Utility District No. 478B (“MUD 478B”), and Harris County Municipal Utility District No. 436 (“MUD 436”). The District as a participant and MUD 477, have executed a Contract for the Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Jubilee Facilities, as amended (individually referred to as the “Master District Contract” and collectively referred to as the “Master District Contracts”) and are referred to herein collectively as the “MUD Participants.” MUD 478B and MUD 436 are planned to be within the Service Area but are undeveloped and have not entered into a Master District Contract but may do so in the future.

The Developers.....290 WR Holdings LP, a Texas Limited Partnership, (“290 Holdings”) is the primary developer of land in the Service Area. 290 Holdings was created for the purpose of developing land in Jubilee. 290 Holdings is responsible for constructing the improvements to serve Jubilee and delivers finished lots to the homebuilders within Jubilee. 290 Holdings is an affiliate of Johnson Development Corp. (“JDC”). JDC is a land developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in more than 100 projects resulting in the development of over 40,000 acres devoted to multiple-use commercial parks; office buildings; retail centers; championship golf courses; and residential communities. In Texas, JDC is responsible for the development of several master-planned communities, including: Cross Creek Ranch; Harvest Green; Jordan Ranch; Riverstone; Imperial; Fall Creek; Tuscan Lakes; Edgewater; Woodforest; Harmony; Grand Central Park; Sienna; Veranda; Willow Creek Farms; Trinity Falls; and Viridian.

In addition, Taylor Morrison Homes of Texas, Inc., a Texas corporation, and a subsidiary of Taylor Morrison Home Corporation (“Taylor Morrison”) is also a developer of land within MUD 477 and the Service Area. Taylor Morrison and 290 Holdings are known as the “Developers”. MUD 477 annexed 165.71 acres into their boundaries and the District expanded its Service Area to include this land. Taylor Morrison is marketing the acreage as Hockley Meadows. Taylor Morrison’s stock is publicly traded on the New York Stock Exchange under the ticker symbol “TMHC”. Taylor Morrison is also the homebuilder on such acreage. For more information, visit www.taylormorrison.com.

Status of

Development.....Development in the Service Area currently consists of residential and commercial development within MUD 477. Homes within MUD 477 range in price from approximately \$300,000 to more than \$750,000. As of May 23, 2025, there were 160 completed and occupied homes, 62 completed but unoccupied homes (8 of which are model homes), 80 homes under construction (46 homes are not under contract for purchase and 34 homes are under contract for purchase), and 191 vacant developed lots available for home construction.

Homebuilders

In Service Area.....Current homebuilders in the Service Area include Chesmar Homes, Coventry Homes, David Weekly Homes, Highland Homes, Newmark Homes, Perry Homes, Tri Pointe Homes, and Westin Homes. New homes in the Service Area range in price from approximately \$300,000 to more than \$750,000. Homebuilding is currently occurring in MUD 477.

Master District

Facilities.....The Master District, in its capacity as the provider of regional water, sanitary sewer, and drainage facilities (“Master District System Facilities”), regional park and recreational facilities (“Master District Park Facilities”), and arterial, collector, and thoroughfare roads and improvements in aid thereof (“Master District Road Facilities”) (hereinafter collectively referred to as the “Master District Facilities”) necessary to serve the Service Area, has contracted with each of the MUD Participants to construct the Master District Facilities and to provide service from those Master District Facilities. See “RISK FACTORS – Maximum Impact on Contract Tax Rate” and “MASTER DISTRICT FACILITIES.”

Outstanding Bonds....The District has previously issued \$4,500,000 of Contract Revenue Road Bonds, Series 2025. At the time of delivery of the Bonds, \$4,500,000 principal amount of such previously issued debt will remain outstanding (the “Outstanding Bonds”).

Payment Record.....The Master District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

THE BONDS

The Issuer.....Harris County Municipal Utility District No. 478, a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”

The Issue.....The \$5,200,000 Contract Revenue Bonds, Series 2025A (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing serially on December 1 in each of the in the principal amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds accrues from July 1, 2025, and is payable on June 1, 2026 (eleven months of interest), and on each December 1 and June 1 thereafter until the earlier of maturity or prior redemption.

Redemption.....The Bonds maturing on and after December 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on December 1, 2030, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.”

Book-Entry-Only

System..... The Depository Trust Company, New York, New York (“DTC”) will initially 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 and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Source and Security

of Payment..... Principal of and interest on the Bonds are payable from and secured by an unconditional obligation of each MUD Participant to make certain Water, Sewer and Drainage Contract Payments (as herein defined) pursuant to the Master District Contract. By execution of the Master District Contract, each MUD Participant has agreed to pay a pro rata share of annual debt service on the Bonds, based upon the certified appraised value of each current MUD Participant as a percentage of the total certified appraised value of all MUD Participants. Each MUD Participant is obligated to make such annual payments from the proceeds of an annual unlimited ad valorem tax levied by such MUD Participant for such purpose on property within its boundaries, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other lawful source of its income. No MUD Participant is liable for the payments owed by any other MUD Participant; however, failure of any MUD Participant to make its Water, Sewer and Drainage Contract Payment, as required by the Master District Contract, could result in an increase in the Water, Sewer and Drainage Contract Payment amount paid by each of the other MUD Participants during the time that such MUD Participant’s payment is delinquent. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, any of the MUD Participants (except the Master District), or any entity other than the Master District. See “THE BONDS - Source and Security of Payment,” “THE BONDS – Unconditional Obligation to Pay” and “MASTER DISTRICT CONTRACT.”

Use of Proceeds..... Proceeds from the sale of the Bonds will be used to reimburse 290 Holdings for the costs associated with the construction of the Master District System Facilities shown under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including to capitalize eighteen (18) months of interest, to pay interest on funds advanced by 290 Holdings on behalf of the District, to reimburse 290 Holdings for funds advanced on behalf of the District, to pay for creation and organizational costs of the District, and to pay certain other costs and fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Not Qualified Tax-

Exempt Obligations... The Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

Municipal Bond

Rating & Municipal

Bond Insurance..... The District has not applied for an underlying investment grade rating nor is it expected that the District would have been successful if such application had been made.

An application has been made to municipal bond insurance companies for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser’s expense. See “RISK FACTORS – Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

Bond Counsel..... Allen Boone Humphries Robinson LLP, Houston, Texas.

Disclosure Counsel.... Orrick, Herrington & Sutcliffe LLP, Houston, Texas

Financial Advisor..... Post Oak Municipal Advisors LLC, Houston, Texas.

Engineer..... LJA Engineering, Inc., Houston, Texas.

Paying Agent.....BOKF, NA, Dallas, Texas

THE MASTER DISTRICT CONTRACT

MUD Participants.....Currently, MUD Participants are the District and MUD 477. Each MUD Participant is a municipal utility district organized and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, as amended. See “THE MUD PARTICIPANTS” and “APPENDIX A.”

Debt Service

Payments.....By execution of the Master District Contract, each of the MUD Participants has agreed to make annual Contract Payments in an amount equal to its annual pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, established under the Bond Resolution based upon the certified appraised value of each such MUD Participant as a percentage of the total certified appraised value of all MUD Participants. MUD Participants are obligated to pay their pro rata share from the proceeds of an annual unlimited ad valorem tax levied for such purpose (the “Water, Sewer, and Drainage Contract Tax”) or from any other lawful source of funds. See “THE BONDS – Source and Security of Payment,” “THE BONDS – Unconditional Obligation to Pay” and “MASTER DISTRICT CONTRACT.”

The Master District Contract also requires each MUD Participant to make annual Contract Payments (“Road Contract Payment”) in an amount equal to its pro rata share of annual debt service on the Master District’s outstanding and future contract revenue bonds issued for the purpose of constructing or acquiring Master District Road Facilities or for the purpose of refunding such bonds (“Contract Revenue Road Bonds”) plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain certain funds, based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants. MUD Participants are obligated to pay Road Contract Payments to the Master District from the proceeds of an annual unlimited ad valorem tax levied for such purpose (the “Road Contract Tax”) or from any other lawful source of funds. The Water, Sewer and Drainage Contract Tax and the Road Contract Tax are referred to herein collectively as the “Contract Tax.”

Each MUD Participant is obligated severally, but not jointly, to make Contract Payments to the Master District. No MUD Participant is obligated, contingently or otherwise, to make any Contract Payments owed by any other MUD Participant; however, lack of payment, as required by the Master District Contract, by any MUD Participant could result in an increase in the Contract Payment amount paid by each of the other MUD Participants during the time that such MUD Participant’s payment is delinquent.

Monthly Charges.....Each MUD Participant is further obligated to pay monthly charges for its share of the Master District’s operation and maintenance expenses in connection with the Master District’s provision of service from the Master District Facilities. The monthly charges will be used to pay the MUD Participant’s share of Master District operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each MUD Participant’s share of operation and maintenance expenses and reserve requirements is based upon a unit cost of operation and maintenance expense and reserve requirements, calculated and expressed in terms of cost per equivalent single-family residential connection. The MUD Participant’s monthly payment for operation and maintenance expenses is calculated by multiplying the number of equivalent single-family residential connections reserved to the MUD Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to the MUD Participants is presently \$250.00. See “RISK FACTORS – Operational Expenses” and “MASTER DISTRICT CONTRACT.”

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT FOR A DISCUSSION OF RISK FACTORS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION

Contract Revenue Bonds of the Master District

Direct Debt (the Contract Revenue Bonds, including the Bonds).....	\$ 5,200,000
Direct Debt (the Contract Revenue Road Bonds).....	4,500,000
Estimated Overlapping Debt.....	\$ 3,255,388
Total Direct and Overlapping Debt.....	\$ 12,955,388

Assessed Valuations of the MUD Participants

MUD Participants	MUD Participant 2024 Certified Taxable Assessed Valuation	MUD Participant 2023 Certified Taxable Assessed Valuation	MUD Participant 2022 Certified Taxable Assessed Valuation	MUD Participant 2021 Certified Taxable Assessed Valuation
MUD 477	\$ 21,023,871	\$ 6,881,899	\$ 227,885	\$ 92,480
MUD 478	35,076	-	-	-
	\$ 21,058,947 (a)	\$ 6,881,899	\$ 227,885	\$ 92,480

Service Area Ratios of Debt to:

2024 Certified Taxable Assessed Valuation.....	46.06%
Estimated Taxable Assessed Valuation as of January 5, 2025.....	9.96%

Service Area Ratios of Debt and Estimated Overlapping Debt to:

2024 Certified Taxable Assessed Valuation.....	61.52%
Estimated Taxable Assessed Valuation as of January 5, 2025.....	13.31%

(a) As certified by the Harris Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”

(b) The Appraisal District has provided an Estimated Taxable Assessed Valuation as of January 5, 2025 for informational purposes for MUD 477 and the District, which was calculated by updating the 2024 Certified Taxable Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2024 to January 5, 2025. These estimates have no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

MUD Participants’ Summary of 2024 Certified Taxable Assessed Valuation

	MUD 477	MUD 478	Totals
Land	\$ 18,969,514	\$ 3,823	\$ 18,973,337
Improvements	2,212,013	31,253	2,243,266
Personal Property	114,668	-	114,668
Exempt Property	(272,324)	-	(272,324)
Total Certified Taxable Assessed Valuation	\$ 21,023,871	\$ 35,076	\$ 21,058,947

MUD Participants' Certified Taxable Assessed Valuation as a Percentage of all MUD Participants

	2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation as of 1/1/2024
MUD Participants		
MUD 477	\$ 21,023,871	99.83%
MUD 478	\$ 35,076	0.17%
	\$ 21,058,947	100.00%

Selected Tax Data

	2023 Debt Service Tax Rate	2023 Maintenance & Operations Tax Rate	2023 Contract Tax Rate	2023 Total Participant Tax Rate	
MUD Participants					
MUD 477	\$0.00	\$1.50	\$0.00	\$1.50	(a)
MUD 478	\$0.00	\$0.00	\$0.00	\$0.00	
	2024 Debt Service Tax Rate	2024 Maintenance & Operations Tax Rate	2024 Contract Tax Rate	2024 Total Participant Tax Rate	
MUD Participants					
MUD 477	\$0.00	\$1.50	\$0.00	\$1.50	
MUD 478	\$0.00	\$0.00	\$0.00	\$0.00	(b)

- (a) Harris County MUD 477 levied its first maintenance and operations tax in 2023 in the amount of \$1.50 per \$100 of assessed valuation.
(b) The District has not levied a tax to date. The District anticipates requesting developer advances to make the Contract Payments to the Master District.

Status of Development

		Net Sales	Completed Lots	Occupied Completed Homes	Unoccupied Completed Homes (c)	Homes Under Construction	Vacant Developed Lots
MUD Participants	Average						
MUD 477	610 (a)	231	493	160	62	80	191
MUD 478	8.5	-	-	-	-	-	-
	618.5	231	493	160	62	80	191

Estimated Population: 560 (b)

- (a) Includes approximately 165.71 acres in Hockley Meadows.
(b) Based upon 3.5 persons per occupied single-family residence.
(c) Includes 8 model homes.

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PRELIMINARY OFFICIAL STATEMENT

\$5,200,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478

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

CONTRACT REVENUE BONDS, SERIES 2025A

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 478 (the “Master District” or the “District”) of its \$5,200,000 Contract Revenue Bonds, Series 2025A (the “Bonds”).

The Bonds are issued pursuant to the Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Jubilee Facilities, as amended (the “Master District Contract”) between the Master District and the current MUD Participants (as defined below), Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8334 of the Texas Special District Local Laws Code, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the Master District (the “Board”) and an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”).

This Official Statement includes descriptions, among others, of the Bonds, and the Bond Resolution; certain other information about the District and Harris County Municipal Utility District Nos. 477, 478 (collectively, the “MUD Participants”); the approximate 618.5 acre area that comprises the boundaries of the MUD Participants (the “Service Area”) to be provided with regional water, sanitary sewer, and drainage facilities (“Master District System Facilities”), regional park and recreational facilities (“Master District Park Facilities”), and arterial, collector, and thoroughfare roads and improvements in aid thereof (“Master District Road Facilities”) constructed by the Master District; the Master District Contract; 290 WR Holdings LP (“290 Holdings”) and Taylor Morrison Homes of Texas (“Taylor Morrison”). The Master District System Facilities, the Master District Park Facilities, and the Master District Road Facilities are collectively referred to herein as the “Master District Facilities.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from the District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

RISK FACTORS

General

The Bonds are obligations solely of the Master District and are not obligations of the State of Texas, Harris County, Texas (“Harris County”), the City of Houston, Texas (“City of Houston”), any of the MUD Participants or any other entity. The Bonds are payable solely from and to the extent of certain contract payments received by the Master District from the current MUD Participants pursuant to the Master District Contract, with each MUD Participant’s annual Contract Payments being equal to its pro rata share of annual debt service on the Outstanding Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents, and registrars, and all amounts required to establish and maintain funds, established under the Bond Resolution based upon the certified appraised value of each such MUD Participant as a percentage of the total certified appraised value of all MUD Participants (the “Water, Sewer and Drainage Contract Payments”). In addition to the Water, Sewer and Drainage Contract Payments, MUD Participants are required to make separate Road Contract Payments, described below, in connection with the Contract Revenue Roads Bonds. The Contract Revenue Road Bonds are payable solely from and to the extent of certain contract payments received by the Master District from the MUD Participants pursuant to the Master District Contract, with each MUD Participant’s annual contract payment being equal to its pro rata share of annual debt service on the Contract Revenue Road Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, established under the Bond Resolution for Contract Revenue Road Bonds based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants (the “Road Contract Payments”). The Road Contract Payments and Water, Sewer and Drainage Contract Payments are referred to herein collectively as the “Contract Payments.” The obligations of the MUD Participants to make Contract Payments are several, not joint, obligations pro-rated among the MUD Participants based upon the proportion of the certified appraised value of property within their respective boundaries to the total certified appraised value of property within all of the MUD Participants as described herein. No MUD Participant is obligated to pay the Contract Payments allocated to any other MUD Participant;

however, lack of payment, as required by the Master District Contract, by any MUD Participant could result in an increase in the Contract Payments amount paid by each of the other MUD Participants during the time that such MUD Participant's payment is delinquent. The security for payment of the principal of and interest on the Bonds by the Master District, therefore, depends on the ability of each MUD Participant to collect annual unlimited ad valorem tax levied by such MUD Participant for such purpose on property within its boundaries, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other lawful source of its income to make its Contract Payments.

Dependence on Principal Taxpayers

Based upon the 2024 certified tax rolls, the top ten taxpayers were responsible for approximately 87.94% of the District's 2024 taxes. The principal taxpayer in the District is 290 WR Holdings LP, (a "Developer" or "290 Holdings"), which is responsible for approximately 35.93% of the District's 2024 taxes. See "THE DISTRICT – Status of Development," "THE DEVELOPERS," and "TAX DATA – Principal Taxpayers." The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other available funds for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Contract Revenue Debt Service Funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Undeveloped Acreage and Vacant Lots

To date, there are approximately 299.5 undeveloped but developable acres within the Service Area that have not been provided with water, wastewater, drainage, road, and other facilities necessary for the construction of taxable improvement. In addition, there are 191 vacant developed lots. The Master District makes no representation as to when or if development of the undeveloped but developable acreage will occur or that the lot sales and building program will be successful. See "THE DISTRICT AND THE SERVICE AREA – Status of Development Within the Service Area."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the Service Area results from the current market value of property used for single-family development and developed lots which are owned by the Developers or homebuilders. The market value of such properties is related to general economic conditions in the City of Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for property of this type and the construction of structures thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of commercial property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the Service Area or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of development funding have a direct impact on construction activity, particularly short-term interest rates at which landowners are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Service Area. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the Service Area is unable to assess the future availability of such funds for continued construction within the District. In addition, since the Service Area is located approximately 40 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth of Service Area 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 or decline in the nation's real estate and financial markets could adversely affect development in the Service Area and restrain the growth of or reduce the value of the Service Area's property tax base.

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Location and Access: The District is located approximately 40 miles northwest of the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See “THE DISTRICT AND THE SERVICE AREA.”

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Landowner Obligation to the District

There are no commitments from or obligations of each of the Developers or any other landowner to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Operational Expenses

The Master District is reliant on each MUD Participant to pay the Master District's operating expenses. Each MUD Participant is obligated to pay monthly charges to the Master District for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from the Master District Facilities. The monthly charges to be paid by each MUD Participant to the Master District will be used to pay each MUD Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each MUD Participant's share of operation and maintenance expenses and reserve requirements is based upon a “unit cost” of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of “cost per equivalent single-family residential connection.” Each MUD Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to each MUD Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being

charged by the Master District to the MUD Participants is presently \$250.00. The Master District Operating Account's only sources of revenue to pay operating expenses are monthly charges paid by the MUD Participants and investment income. See "MASTER DISTRICT FACILITIES."

Operating Funds

The Master District's general fund balance as of May 23, 2025, is \$17,165.58. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) funds from bond issues. In the event that funds are not made available by the Developers (defined herein), the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property.

No Reserve Fund

The Bonds will be issued pursuant to the Bond Resolution wherein the Contract Payments will be pledged to payment of debt service on the Bonds. The Bond Resolution creates the Contract Revenue Water, Sewer and Drainage Debt Service Fund but does not create designated reserve funds. Each MUD Participant's pro rata share of the Contract Payments is calculated by the Master District. The Master District's annual calculation of the debt service requirement to be paid by the MUD Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Master District, up to 50% of the following year's annual debt service requirements to establish a replenishment amount in the debt service funds, which when paid by the MUD Participants, will be deposited into the respective debt service fund. Delay or failure of any MUD Participant to pay its pro rata share of the debt service requirements may adversely affect payment of the Bonds. There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of the Registered Owners (herein defined). Any action in mandamus as a result of a payment or other default under the Bond Resolution would have to be brought by the Registered Owners themselves against the Master District, and such an action would not necessarily operate to enforce rights against other MUD Participants. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

The Master District further covenants that if at any time the fund balance in either the Contract Revenue Water, Sewer and Drainage Debt Service Fund or the Contract Revenue Road Debt Service Fund falls below 25% of the following year's debt service requirement for the respective bonds, it will levy the maximum amount allowed under the Bond Resolutions (100% of the next year's debt service requirement plus 50% of the following year's debt service requirement) until such time that the debt service fund balance in the respective fund exceeds 50% of the next year's debt service requirement.

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the MUD Participants' boundaries will be the major determinant of the ability or willingness of owners of property within the MUD Participants' boundaries to pay their taxes. The 2024 Certified Taxable Assessed Valuation of the MUD Participants is \$21,058,947 and the Estimated Taxable Assessed Valuation as of January 5, 2025, is \$97,365,523. After issuance of the Bonds, the projected maximum debt service requirement on the Bonds and the Outstanding Bonds will be \$696,667 (2026), and the projected average annual debt service requirement will be \$677,929 (2026-2050, inclusive). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of January 5, 2025, the issuance of no additional debt, and no other funds available for the payment of debt service, a Contract Tax rates of \$3.49 and \$0.76 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the projected maximum debt service requirement of the Bonds and the Outstanding Bonds, respectively, and Contract Tax rates of \$3.39 and \$0.74 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the projected average annual debt service requirements of the Bonds and the Outstanding Bonds, respectively. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED) – Debt Service Requirements."

Debt Burden on Property within the Service Area

The Master District expects that each MUD Participant (including the District in its capacity as a MUD Participant) will derive funds to make its Contract Payments to the Master District from the collection of ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries. In addition to the annual levy of a tax to make its annual Contract Payments, each MUD Participant (including the District in its capacity as a MUD Participant) is authorized, and expected, to levy a tax on property within its boundaries (without legal limit as to rate or amount) to pay its Water, Sewer, and Drainage Contract Payments (“Water, Sewer and Drainage Contract Payments”) and Road Contract Payments (“Road Contract Payment”), and annual principal and interest on bonds issued by the MUD Participant and to pay its operations and maintenance expenses. It is expected that if and when sufficient taxable value exists within each MUD Participant, each MUD Participant will issue bonds to finance the internal water, wastewater and storm drainage facilities within its boundaries, and to finance park construction charges due to the Master District, as permitted by the rules of the Texas Commission on Environmental Quality (“TCEQ” or “Commission”). The TCEQ rules permit the issuance of bonds by a MUD Participant based, to a certain extent, upon projections of growth in ad valorem taxable value within the boundaries of the MUD Participant. In the event those growth projections are not realized, the MUD Participant’s tax rate to pay debt service on its bonds may increase in future years. The Master District has no control over such tax rate. For the 2024 tax year, MUD 477 has levied a total tax rate of \$1.50 for maintenance and operations. The District has not levied a tax rate as of now but may levy a tax in the future. See “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED),” and “APPENDIX A” for information on each MUD Participant’s debt and taxes.

The composite tax rate to which property in each MUD Participant is subject may be higher than the composite tax rate of property within other competing subdivisions. To the extent that such composite tax rate is not competitive, the growth of property tax values in each MUD Participant and the investment quality or security of the Bonds could be adversely affected. The Master District has no control over such composite tax rate. See “Competition” in this section and “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED).”

The Master District can make no representation that the taxable property values in the MUD Participants’ boundaries will maintain a value sufficient to justify continued payment of taxes by property owners. See “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED),” “TAX DATA – Tax Adequacy for Debt Service,” and “APPENDIX A.”

Severe Weather

The greater City of Houston area, including the Service Area, 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 Service Area as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater City of Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

If a future weather event significantly damaged all or part of the improvements within the Service Area, the assessed value of property within the Service Area could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the MUD Participants’ tax rates. Further, there can be no assurance that a casualty loss to taxable property within the Service Area 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 Service Area. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Service Area could be adversely affected.

Specific Flood Type Risks

The Service Area is subject to the following flood risk:

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

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

Future Debt

Pursuant to the Master District Contract and in connection with the development of the Service Area, the Master District may issue Contract Revenue Bonds in an amount necessary to provide the Master District Facilities and to refund outstanding debt. Any Outstanding Bonds and future Contract Revenue Bonds will be on a parity with the Bonds. The Master District anticipates that it will issue additional Contract Revenue Bonds. The Master District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of Contract Revenue Bonds which it may issue. The issuance of additional Contract Revenue Bonds to fund water, sewer, and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. No TCEQ approval is currently required for the issuance of Contract Revenue Bonds to fund roads. See “Maximum Impact on District Tax Rate” above and “THE BONDS – Issuance of Additional Debt.”

Pursuant to the Master District Contract, the Master District may issue Contract Revenue Bonds in a principal amount not to exceed \$2,298,110,000 to provide regional water, sewer and drainage facilities and refunding of such bonds; in a principal amount not to exceed \$1,062,770,000 to provide regional road facilities and refunding of such bonds; and in a principal amount not to exceed \$1,453,900,000 to provide regional park and recreational facilities and refunding of such bonds. Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District contract that would increase such \$2,298,110,000 authorized amount; such \$1,062,770,000 authorized amount, and/or such \$1,453,900,000 authorized amount. After the issuance of the Bonds, the Master District will have \$2,292,910,000 principal amount of Contract Revenue Bonds authorized but unissued for the purposes of water, sewer and drainage facilities, \$1,058,270,000 principal amount of Contract Revenue Bonds authorized but unissued for the purposes of road facilities, and \$1,453,900,000 principal amount of Contract Revenue Bonds authorized but unissued for the purposes of park and recreational facilities. The Bonds, and all additional Contract Revenue Bonds will be payable from the Water, Sewer, and Drainage Contract Tax, the Contract Revenue Road Bonds issued by the Master District, will be payable from the Road Contract Tax, and the Contract Revenue Park Bonds will be payable from the Park Contract Tax.

The Master District, in its capacity as a MUD Participant, has the right to issue unlimited tax bonds for the purpose of financing internal water, wastewater, drainage, road, and park and recreational facilities within its boundaries, tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. As a MUD Participant, the District is authorized to issue \$220,000,000 for road facilities, \$312,000,000 for water, sewer and drainage facilities, and \$272,000,000 for parks and recreational facilities, of which no principal amount has been issued and no principal amount is outstanding. MUD 477 is authorized to issue \$168,140,000 for road facilities, \$189,865,000 for water, sewer and drainage facilities, and \$209,060,000 for parks and recreational facilities, of which no principal amount has been issued and no principal amount is outstanding.

Tax Collection Limitations

The Master District's ability to make debt service payments may be adversely affected by each MUD Participant's inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a MUD Participant constitutes a lien in favor of such MUD Participant 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. A MUD Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the MUD Participant's boundaries and limiting the proceeds from a foreclosure sale of such property, or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential property and all other property after the purchaser's deed issued at the foreclosure is filed in the county records. While the MUD Participant has a lien on taxable property within the MUD Participant's boundaries for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the MUD Participant from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the MUD Participant's boundaries pursuant to Federal Bankruptcy Code could stay any attempt by such MUD Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – MUD Participant's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – No Reserve Fund."

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners" and each a "Registered Owner") have a right to seek a writ of mandamus requiring the Master District to levy adequate taxes each year to make such payments. Except for the mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce such interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the Master District, such a judgment could not be enforced by a direct levy and execution against the Master District's property. Further, the Registered Owners themselves cannot foreclose on property within the Service Area or sell property within the Service Area 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 further 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 Master District. In this regard, should the Master District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the Master District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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."

Marketability of the Bonds

The District has no agreement with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

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) (“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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion 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.

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 should consult with their own tax advisors with respect to any proposed, pending or future legislation.

2025 Legislative Session

The 89th Texas Legislature began on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor has declared property tax reform a priority item for the current legislative session.

During the 89th Texas Legislative Session, the Legislature will consider a general appropriations act and may consider legislation affecting the District, ad valorem taxation procedures and exemptions, and investments; among other legislation affecting the District. The District can make no representations or predictions regarding the scope of legislation that may be considered during the 89th Legislative Session or the potential impact of such legislation at this time.

There is proposed legislation awaiting signature by the Governor that would allow a portion of Harris County Municipal Utility District No. 405 to be deannexed and could be annexed into the Jubilee development. Harris County Municipal Utility District No. 478 would need to enter into an agreement with Harris County Municipal Utility District No. 405 and complete all of the obligations of that agreement before Harris County Municipal Utility District No. 405 could allow deannexation of approximately 450 acres. This law has been passed by the Texas Legislature but has not been signed by the Governor and still can be vetoed.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is purchased, investors should be aware of the following risk factors:

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

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

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

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 Bond Resolution. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from July 1, 2025, which interest is payable on June 1, 2026 (eleven months of interest) and on each December 1 and June 1 thereafter (each an “Interest Payment Date”), until the earlier of maturity or prior redemption. The Bonds mature on December 1 in the amounts and years and bear interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be issued in fully registered form in denominations of \$5,000 or integral multiples thereof.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar (the “Paying Agent/Registrar,” or “Registrar”) for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Register on the fifteenth (15th) day (whether or not a business day) of the month prior to each interest payment date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

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.

Source and Security of Payment

The Bonds are payable solely from payments the MUD Participants make to the Master District for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Master District Contract. The Master District Contract provides that all MUD Participants shall pay a pro rata share of the annual debt service on any Contract Revenue Bonds issued by the Master District, including the Bonds, based upon each MUD Participant’s certified appraised value as a percentage of the total certified appraised value of all MUD Participants. The debt service requirements shall be calculated to include the charges and expenses of paying agents, and registrars utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and all amounts required to establish and maintain funds established under the Bond Resolution. Each MUD Participant is obligated to pay its pro rata share of the annual debt service on the Contract Revenue Bonds from the proceeds of an annual ad valorem tax levied for such purpose by such MUD Participant on property within its boundaries, which is not limited as to rate or amount (the “Contract Tax”), revenues, if any, derived from the operation of its water distribution and wastewater collection system or from any other legally available funds of such MUD Participant. Each MUD Participant’s pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax for the purpose of paying debt service on the Bonds and the Outstanding Bonds is the sole responsibility of each MUD Participant. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Harris County, the City of Houston, any of the MUD Participants except the District, or any entity other than the Master District.

Contract Payments by the MUD Participants

Principal of and interest on the Bonds are payable from and secured by each current MUD Participant's unconditional obligation to make certain payments pursuant to the requirements of the Master District Contract. By execution of the Master District Contract, each MUD Participant has agreed to make a Contract Payment in an amount equal to its pro rata share of the annual debt service on the Contract Revenue Bonds plus all charges and expenses of paying agents, and registrars and all amounts required to establish and maintain funds, established under the Bond Resolution based upon its certified appraised value as a percentage of the total certified appraised value of all MUD Participants. Each MUD Participant is obligated to make such payments from the proceeds of the Contract Tax levied by such MUD Participant on property within its boundaries for such purpose, or from any other lawful source of funds. "See Source and Security of Payment" above. No MUD Participant is liable for the payments due by any other MUD Participant. See "MASTER DISTRICT CONTRACT."

The Master District shall calculate on or before October 1 of each year, or as soon thereafter as practical, the amount of Contract Payments due from each MUD Participant in the following calendar year. The Contract Payments shall be billed to each MUD Participant by the Master District on or before September 1 of the year prior to the year in which such Contract Payments become due, or as soon thereafter as practical. Such Contract Payments shall be due and payable from each MUD Participant to the Master District semiannually by the dates specified by the Master District. The Master District specified April 1 and October 1 of each year as the dates by which the MUD Participants' Contract Payments are due to the Master District.

Funds

The Contract Revenue Water, Sewer, and Drainage Debt Service Fund is created in the Bond Resolution, of which the proceeds from the Contract Payments collected for and on account of the Contract Revenue Bonds shall be deposited into the Contract Revenue Water, Sewer and Drainage Debt Service Fund (which includes each Participant's pro rate share of the respective debt service requirements). Eighteen months of capitalized interest will be deposited into the Contract Revenue Water, Sewer and Drainage Debt Service Fund upon closing of the Bonds. The Bond Resolution does not provide for a reserve fund. The Master District's annual calculation of the debt service requirement to be paid by the Participants shall include no more than the sum of next year's annual debt service requirements and, at the option of the Master District, an amount up to 50% of the following year's annual debt service requirements, which when paid by the Participants, will be deposited into the respective debt service fund.

There is no trust estate or trust indenture securing the payment of the Bonds and no trustee to enforce a mandamus action on behalf of Registered Owners. There is no reserve fund securing the payment of the Bonds. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy" and "– No Reserve Fund."

The Master District further covenants that if at any time the fund balance in either the Contract Revenue Water, Sewer and Drainage Debt Service Fund or the Contract Revenue Road Debt Service Fund falls below 25% of the following year's debt service requirement for the respective bonds, it will levy the maximum amount allowed under the bond resolution authorizing each issuance (100% of the next year's debt service requirement plus 50% of the following year's debt service requirement) until such time that the debt service fund balance in the respective fund exceeds 50% of the next year's debt service requirement.

Unconditional Obligation to Pay

All charges imposed by the Master District to pay debt service on the Bonds will be made by the MUD Participants without set-off, counterclaim, abatement, suspension or diminution. No MUD Participant will have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the MUD Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the MUD Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the MUD Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If any MUD Participant disputes the amount to be paid to the Master District, the MUD Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement,

arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all MUD Participants so that the MUD Participant will receive credit for its overpayments. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Authority for Issuance

Pursuant to individual elections, the voters of each MUD Participant approved the Master District Contract. The Master District Contract authorizes the Master District to issue the Bonds for acquiring and constructing Master District System Facilities and the refunding of such bonds. The Master District Contract also authorizes the Master District to issue other contract revenue bonds for other purposes. See “Issuance of Additional Debt” below and “MASTER DISTRICT CONTRACT.”

The Bonds are issued by the District pursuant to the terms and provisions of the Master District Contract, the terms and conditions of the Bond, Chapter 8334 Texas Special District Local Laws Code, Article XVI, Section 59 of the Texas Constitution, Chapter 49 and Chapter 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an order of the TCEQ.

Before the Bonds can be delivered, the Attorney General of Texas must pass upon the legality of certain matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after December 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on December 1, 2030, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written 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 register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

In the event the Book-Entry-Only System should be discontinued, Bonds shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed

for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefore, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered. Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond. The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District. The provisions of this paragraph are subject to the Book-Entry-Only System.

Replacement of Paying Agent/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. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

The voters of the MUD Participants have approved the Master District Contract, which contract authorizes the Master District to issue Contract Revenue Bonds in an amount not to exceed \$2,298,110,000 in principal amount for the purpose of constructing and acquiring all Master District water, wastewater and drainage facilities and refunding of such bonds; in an amount not to exceed \$1,062,770,000 in principal amount for the purpose of constructing and acquiring all Master District road facilities and refunding of such bonds; and in an amount not to exceed \$1,453,900,000 in principal amount for the purpose of constructing and acquiring all Master District park and recreational facilities and refunding of such bonds. Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$2,298,110,000 authorized amount, such \$1,062,770,000 authorized amount, and/or such \$1,453,900,000 authorized amount. By execution of the Master District Contract between the Master District and each MUD Participant, each MUD Participant (including the District in its capacity as a MUD Participant) is obligated to pay a pro rata share of debt service on the Contract Revenue Bonds issued by the Master District to finance the Master District Facilities. The Bonds, and all additional Contract Revenue Bonds issued by the Master District will be payable from the Water, Sewer, and Drainage Contract Tax, the Contract Revenue

Road Bonds will be payable from the Road Contract Tax, and the Contract Revenue Park Bonds will be payable from the Park Contract Tax. After the issuance of the Bonds, the Master District will have \$2,292,910,000 principal amount of Contract Revenue Bonds authorized but unissued for the water, wastewater and drainage facilities and refunding of such bonds; \$1,058,270,000 principal amount of Contract Revenue Bonds authorized but unissued for the proposed road facilities and refunding of such bonds; and \$1,453,900,000 principal amount of Contract Revenue Bonds authorized but unissued for the purpose of parks and recreational facilities and refunding of such bonds. The Master District Contract and the Bond Resolution impose no limitation on the amount of Contract Revenue Bonds the Master District may issue payable from the Contract Tax. See “RISK FACTORS – Future Debt.”

The District (in its capacity as a MUD Participant) and each other MUD Participant may issue unlimited tax bonds for water, wastewater, drainage, road, and park and recreational purposes, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the District or such other MUD Participant was created. TCEQ approval is not currently required for the District or any MUD Participants to issue bonds for road facilities. See “THE MUD PARTICIPANTS.”

Annexation

Under existing Texas law, since the Master District lies wholly within the extraterritorial jurisdiction of the City of Houston, the Master District must conform to a City of Houston consent ordinance. Generally, the Master District may be annexed by the City of Houston without the Master District’s consent, and the City of Houston cannot annex territory within the Master District unless it annexes the entire Master District; however, under legislation effective December 1, 2017, the City of Houston may not annex the Master District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If the Master District is annexed, the City of Houston will assume the Master District’s assets and obligations (including the Outstanding Bonds and the Bonds) and dissolve the Master District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the Master District makes no representation that the City of Houston will ever annex the Master District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

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 a district 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 Resolutions provide that, in the event the Master District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolutions into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolutions, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Master 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 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 MUD Participants to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a Master 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. Although the Registered Owners could obtain a judgment against the Master District, such a judgment could not be enforced by direct levy and execution against the property within the Service Area. Further, the Registered Owners cannot themselves foreclose on the property within

the Service Area or sell property within the Service Area in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the MUD Participant's. For example, a Chapter 9 bankruptcy proceeding by a MUD Participant could delay or eliminate payment of principal or interest to the Registered Owners.

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 might 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, 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 obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and that 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.

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.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

The Depository Trust Company, New York, New York ("DTC"), 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the

Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$3,386,415 is estimated for construction costs, \$1,458,516 is estimated for non-construction costs, and \$355,069 is estimated for issuance cost and fees. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

I. CONSTRUCTION COSTS

District Items	
1) Water Well No. 1	\$ 1,222,303
2) Water Plant No. 1 Phase 1	1,648,963
3) Geotechnical, Survey, Design/CPS, Project Representative and Lab Fees for Items Nos. 1-2	353,133
4) SWPPP for Items Nos. 1-2	7,413
5) Water Plant No.1 - Land Cost	154,603
Total District Items	\$ 3,386,415
Total Construction Cost	\$ 3,386,415

II. NON-CONSTRUCTION COSTS

• Developer Interest	\$ 551,139
• Operation Expenses	232,511
• Creation and Organization Costs	128,866
• Capitalized Interest (18 months @ 5.00%)	390,000
• Bond Discount	156,000
Total Non-Construction Costs	\$ 1,458,516

III. ISSUANCE COST AND FEES

• Legal Fees	\$ 144,000
• Financial Agent Fees	98,000
• Bond Application Report Cost	57,500
• Bond Issuance Cost	37,369
• Attorney General Fees (0.10% or \$9,500 max)	5,200
• TCEQ Bond Issuance Fees (0.25%)	13,000
Total Issuance Cost and Fees	\$ 355,069
TOTAL BOND ISSUE	\$ 5,200,000

THE MUD PARTICIPANTS

Creation, Authority and Description

The MUD Participants (including the District) that have approved the Master District Contract were created by the Texas legislature and were confirmed at elections held on May 1, 2021 for MUD 477, and on November 7, 2023 for the District as municipal utility districts. Each MUD Participant has the power to construct, operate and finance water, sanitary sewer, drainage, park/recreational facilities and arterial, collector and thoroughfare road facilities pursuant to Chapter 49 and 54 of the Texas Water Code. Each MUD Participant may issue bonds, with the authorization of its board of directors and (if payable from taxes) its voters, to acquire and maintain water, sanitary sewer, and drainage, and park/recreational facilities, and arterial, collector and thoroughfare road facilities, to serve the land within its boundaries. Issuance of bonds for water, sanitary sewer and drainage and park and recreational facilities requires the approval of the TCEQ; issuance of road bonds does not require approval of the TCEQ. Each MUD Participant may also establish, operate, and maintain a fire department or contract for firefighting services, if the TCEQ and its voters approve a plan for that purpose.

Authorized Bonds

Voters in the District, and voters in the other active MUD Participants have each approved the authorization of unlimited tax bonds for purposes of providing water distribution, wastewater collection and storm drainage facilities, parks/recreation facilities and road facilities to serve land within their boundaries. The District, in its capacity as a MUD Participant and MUD 477 have not issued bonds to date. See “APPENDIX A” for a description of the voter authorized bonds for each MUD Participant.

MASTER DISTRICT CONTRACT

Each MUD Participant has executed the Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Jubilee Facilities (the “Master District Contract”) and each MUD Participant obtained the approval of the Master District Contract from the voters of the MUD Participant at an election held within its boundaries. The Master District Contract dictates and defines what comprises Master District Facilities, the financing and construction of the Master District Facilities, and the operation and maintenance of the Master District Facilities that serves all of the MUD Participants land (the “Service Area”).

The Master District System Facilities are defined, described, and displayed under the Master District Contract to mean the (i) Master District Water System, including the water plant, mains and trunk facilities to serve the Service Area, save and except internal facilities that only serve one municipal utility district in the Service Area; (ii) Master District Sanitary Sewage Collection System, including a permanent wastewater treatment plant, trunk or main sanitary sewer lines, manholes, intercepting sewers, lift stations to serve the Service Area, save and except internal facilities that only serve one municipal utility district in the Service Area; and (iii) Master District Storm Sewer System, including all or any part of the drainage facilities for the collection of storm water such as manholes, drainage trunk lines, detention and retention ponds, outfall drainage channels and ditches, save and except internal facilities that only serve one municipal utility district in the Service Area. The Master District Contract authorizes the Master District to issue Contract Revenue Bonds to acquire, construct, and maintain the Master District System Facilities in an aggregate amount not to exceed \$2,298,110,000.

The Master District Road Facilities are defined, described, and displayed under the Master District Contract to mean the major thoroughfares and roadway related facilities in and of such thoroughfares that serve the Service Area. The Master District Contract authorizes the Master District to issue Contract Revenue Road Bonds to acquire, construct and maintain the Master District Road Facilities in an aggregate amount not to exceed \$1,062,770,000.

The Master District Park Facilities are defined, described, and displayed under the Master District Contract to mean the park, recreational and landscaping facilities to design, acquire, construct, lease, equip, modernize, repair, improve or complete Master District park facilities or any enlargements, expansions, repairs, upgrades or modifications thereto in the Service Area.

The Master District Contract provides two options for the MUD Participants to finance the Master District Park Facilities. First, the Master District may issue Master District Park Bonds and the aggregate amount of the Master District Park Bonds may not exceed \$1,453,900,000. Alternatively, the Master District may levy a Park Construction Charge, as defined under the Master District Contract, and the MUD Participants could issue park bonds and remit the Park Construction Charge to the Master District. The Master District Contract provides that the Master District will compute the Park Construction Charge on the basis of the then estimated total capital costs of providing the Master District Park Facilities for all of the Service Area minus the Park Construction Charges which have previously paid to the Master District (at this time the amount is \$0), and dividing the result by the number of estimated total connections to be constructed within the Service Area minus the number of connections for which Park Construction Charges have been previously paid to the Master District. Upon approval of the Master District Park Facilities by the Commission, the Master District will reimburse the developer for the Master District Park Facilities or use the Park Construction Charge to construct new Master District Park Facilities.

The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other MUD Participants have the right pursuant to the Master District Contract to design, acquire, construct, or expand such regional facilities needed to provide service to such MUD Participants, and convey such facilities to the Master District in consideration of payment by the Master District of the actual reasonable and necessary capital costs expended by such MUD Participant for such facilities.

By execution of the Master District Contract, each of the MUD Participants has agreed to make an annual Contract Payment in an amount equal to its annual pro rata share of debt service on the Bonds, plus all charges and expenses of paying agents and registrars based upon the certified appraised value of each such MUD Participant as a percentage of the total certified appraised value of all MUD Participants. MUD Participants are obligated to pay their pro rata share from the proceeds of an annual unlimited ad valorem tax levied for such purpose or from any other lawful source of funds.

Each MUD Participant is obligated severally, but not jointly, to make Contract Payments to the Master District. No MUD Participant is obligated, contingently or otherwise, to make any Contract Payments owed by any other MUD Participant; however, lack of payment, as required by the Master District Contract, by any MUD Participant could result in an increase in the Contract Payment amount paid by each of the other MUD Participants during the time that such MUD Participant's payment is delinquent.

The Master District Contract defines and obligates the MUD Participants to pay a Monthly Charge for each active connection and all of the operation and maintenance of the Master District Facilities and to provide for an operation and maintenance reserve in the Master District General Fund equivalent to three months of operation and maintenance expenses for the Master District Facilities. The Master District has leased a temporary wastewater treatment plant and those monthly payments are included in the Monthly Charge. Each MUD Participant's share of operation and maintenance expenses and reserve requirements is calculated and expressed in terms of costs per equivalent single-family residential connection. The MUD Participant's monthly payment for operation and maintenance or Monthly Charge is calculated by multiplying the number of equivalent single-family residential connections reserved to the MUD Participant on the first day of the previous month by the Monthly Charge. The Master District may calculate the Monthly Charge at any time, but has previously established the Monthly Charge while adopting its annual budget. Currently, the Monthly Charge is \$250.

THE DISTRICT AND THE SERVICE AREA

General

The Master District is a municipal utility district created by the Texas Legislature on June 19, 2009. The rights, powers, privileges, authority and functions of the District are established by Chapter 8334 of the Texas Special District Local Laws Code and the general laws of the State of Texas pertaining to utility districts, including Article XVI, Section 59 of the Texas Constitution, Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The Master District is empowered, among other things, to purchase and construct all works, improvements, facilities and plants necessary to be the provider of regional water, sanitary sewer, drainage, park/recreational and road facilities. The Master District will operate and maintain those Master District Facilities for operation (including park/recreational facilities, detention pond and drainage ditch facilities, and non-potable water facilities).

The TCEQ exercises continuing supervisory jurisdiction over the MUD Participants. In order to obtain the consent for creation of the MUD Participants from the City of Houston, within whose extraterritorial jurisdiction the MUD Participants lie, each MUD Participant is required to observe certain requirements of the City of Houston which (1) limit the purposes for which the MUD Participants may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, park and road facilities, (2) require approval by the City of Houston of MUD Participants' construction plans, and (3) permit connections only to single-family lots and commercial or multi-family/commercial platted reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the Master District Facilities is subject to the regulatory jurisdiction of additional governmental agencies. See "MASTER DISTRICT FACILITIES – Regulation."

Description and Location

The District in its capacity as a MUD Participant encompasses approximately 8.5 acres of land. The Master District Contract provides that the District, in its capacity as Master District, has a Service Area of approximately 618.5 acres, which is comprised of the land within the District and MUD 477. The Master District and its Service Area are located approximately 40 miles northwest of the central downtown business district of the City of Houston. The District and Service Area are located within Harris County. The Service Area lies wholly within the extraterritorial jurisdiction of

the City of Houston, and within the boundaries of Waller Independent School District. Access to the Service Area is provided via U.S. Route 290 West.

Status of Development

JUBILEE

Single-Family Residential: Development in the Service Area currently consists of residential development within MUD 477. Homes within MUD 477 range in price from approximately \$300,000 to more than \$750,000. As of May 23, 2025, there were 160 completed and occupied homes, 62 completed and unoccupied homes (8 of which are model homes), 80 homes under construction (46 homes are not under contract for purchase and 34 homes are under contract for purchase), and 191 vacant developed lots available for home construction.

Multi-Family Residential: In addition to the development described above, at ultimate build out 17 acres in MUD 477 will be used for multi-family purposes.

Commercial Property: Approximately 33 acres of commercial land in MUD 477 has been provided with trunk utilities but currently does not have any vertical construction.

Tax-Exempt Property: The following property in MUD 477 mentioned herein is exempt from the payment of ad valorem taxes. Waller Independent School District owns approximately 16 acres of land in the District, on which no improvements have been constructed.

Additionally, there are approximately 133.79 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 96.5 acres that are currently considered not developable. See “RISK FACTORS – Undeveloped Acreage and Vacant Lots.”

HOCKLEY MEADOWS

Taylor Morrison owns approximately 165.71 acres within MUD 477 and the Service Area with plans to ultimately develop 524 total single family residential lots. Development within Hockley Meadows will occur entirely within MUD 477. To date, construction of detention facilities is currently underway, but no home construction has begun in Hockley Meadows.

Homebuilding

Current homebuilders in the Service Area include Chesmar Homes, Coventry Homes, David Weekly Homes, Highland Homes, Newmark Homes, Perry Homes, Tri Pointe Homes, and Westin Homes. New homes in the Service Area range in price from approximately \$300,000 to more than \$750,000. Homebuilding is currently occurring in MUD 477.

Land Use

The Service Area currently includes 493 single-family residential lots developed on approximately 151.5 acres, approximately 17 acres planned for multi-family use, approximately 33 acres of commercial development, approximately 5 acres for a recreational facility, approximately 16 acres for a school site, approximately 96.5 undevelopable acres that are currently considered not developable (public rights-of-way, drainage ditches, detention ponds, open spaces, easements, parks, utility sites and plant sites), and approximately 299.5 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The following tables represent a detailed breakdown of the current acreage and development in the Service Area as of May 23, 2025. The following table has been provided by the Engineer and represents the current land use within the Service Area.

Land Use

Single Family Residential	Approximate Acres	Lots
Jubilee Section 1	8.2	15
Jubilee Section 2	35.7	93
Jubilee Section 3	27.7	43
Jubilee Section 4	10.6	26
Jubilee Section 5	11.2	58
Jubilee Section 6	8.4	41
Jubilee Section 7	11.0	65
Jubilee Section 8	13.8	54
Jubilee Section 9	24.9	98
Subtotal	151.5	493
Future Development (a)	299.5	
Multi-Family	17	
Commerical	33	
Recreational Facilities	5	
School Site (Tax-Exempt)	16	
Undevelopable (b)(c)	96.5	
Total	618.5	

(a) Approximately 165.71 acres are located within Hockley Meadows, which is not a part of Jubilee.

(b) This includes public rights-of-way, drainage ditches, detention ponds, open spaces, easements, parks, utility sites and plant sites.

(c) All of the District's 8.5 acres will not be used for development.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors (the "Board"), consisting of five directors, which has control over and management supervision of all affairs of the District, including responsibilities related to the District in its capacity as a MUD Participant and as Master District. Directors are elected to four-year terms and elections may be held May in even numbered years only. None of the members of the Board resides in the District. Each of the members owns land within the District, subject to a note and deed of trust in favor of the Developers. Directors have staggered four-year terms. The current members of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Vanessa Rodriguez	President	May 2028
Lawrence Dean	Vice President	May 2026
Julie Kveton	Secretary	May 2028
<i>Vacant</i>	Assistant Vice President	May 2026
Mike Yu	Assistant Secretary	May 2026

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris Central Appraisal District (the "Appraisal District"). The District's Tax Assessor/Collector is contracted with the Board of Directors of the District. Tax Tech Incorporated is currently serving in this capacity for the District.

Bookkeeper

The District has engaged Myrtle Cruz, Inc. to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is LJA Engineering, Inc. (the "Engineer").

Attorney

The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Master District's bonds. The legal fees to be 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.

Disclosure Counsel

The District has engaged Orrick, Herrington & Sutcliffe LLP as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Post Oak Municipal Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds. An employee of the Financial Advisor is directly related to the President and Chief Executive Officer of JDC. There are no client relationships between the Financial Advisor and 290 Holdings or JDC.

Auditor

The District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's audit prepared by McCall Gibson Swedlund Barfoot PLLC for the fiscal year ended February 29, 2024, is included as "APPENDIX B" to this Official Statement. The District has engaged McCall Gibson Swedlund Barfoot PLLC to prepare the annual audit for the fiscal year ended February 28, 2025.

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the Commission to pave certain streets, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

The Developers

290 WR Holdings LP, a Texas Limited Partnership, ("290 Holdings" or "Developer") is the primary developer of land in the Service Area. 290 Holdings was created for the purpose of developing land in Jubilee. 290 Holdings is responsible for constructing the improvements to serve Jubilee and delivers finished lots to the homebuilders within Jubilee. 290 Holdings is an affiliate of Johnson Development Corp. ("JDC"). JDC is a land developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in over 100 projects resulting in the development of over 40,000 acres devoted to multiple-use commercial parks; office buildings; retail centers; championship golf courses; and residential communities. In Texas, JDC is responsible for the development of several master-planned communities, including: Cross Creek Ranch; Harvest Green; Jordan Ranch;

Riverstone; Imperial; Fall Creek; Tuscan Lakes; Edgewater; Woodforest; Harmony; Grand Central Park; Sienna; Veranda; Willow Creek Farms; Trinity Falls; and Viridian.

In addition, Taylor Morrison Homes of Texas, Inc., a Texas corporation, and a subsidiary of Taylor Morrison Home Corporation (“Taylor Morrison” and collectively with 290 Holdings, the “Developers”), annexed in 165.71 acres into the boundaries of MUD 477 and the Service Area. Taylor Morrison is marketing the acreage as Hockley Meadows. The stock of which is publicly traded on the New York Stock Exchange under the ticker symbol “TMHC”. Taylor Morrison is also the homebuilder on such acreage. For more information, visit www.taylormorrison.com.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developers nor any of its affiliates, is obligated to pay principal of or interest on the Bonds. Prospective purchasers are encouraged to investigate Jubilee in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District. See “RISK FACTORS.”

Developer Financing

On September 2, 2021, 290 Holdings obtained a development line of credit from Flagstar Bank, FSB to finance the development within the District. The loan is secured by a first lien deed of trust on the land in the Service Area, owned by 290 Holdings. The outstanding balance on the loan as of May 23, 2025, was \$35,488,037.14, and maturing on March 29, 2027. According to 290 Holdings, it is in compliance with all material conditions of the loan.

MASTER DISTRICT FACILITIES

Regulation

Construction and operation of the Master Water, Sewer, and Drainage Facilities as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District, in its capacity as the Master District and in its capacity as a provider of internal utility services. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District. Harris County and the City of Houston also exercise regulatory jurisdiction over the Master District System.

According to the Engineer, the Master District System that will be financed with proceeds of Contract Revenue Bonds have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the TCEQ, the Texas Department of Health, Harris County and the City of Houston, where applicable. Construction of the Master District System is subject to inspection by the TCEQ, the City of Houston and Harris County. Each of the aforementioned agencies exercises continuing jurisdiction over the Master District Facilities.

Master District System Facilities

Water Facilities: The Master District is responsible for planning and providing major water facilities to the MUD Participants within its Service Area. The potable water supply facilities constructed by or on behalf of the Master District and being operated by the Master District (“Water Supply Facilities”) currently consist of one water plant, 250,000 gallons of ground storage capacity, 2,900 gallons per minute (“gpm”) of booster pump capacity, pressure tank capacity of 20,000 gallons, and all related appurtenances. The major components of the Master District’s Water Supply Facilities have the capacity to serve approximately 1,000 equivalent single-family connections (“ESFCs”). According to the Master District’s Engineer, the Master District has a current reserved capacity of 494 ESFCs for the MUD Participants and 172 active connections are being served by the Water Supply Facilities.

In order to fully provide water supply to the Service Area, additional Water Supply Facilities will need to be constructed from time to time to meet the water demands of the Service Area. By reserving capacity to the MUD Participants, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active.

Wastewater Treatment: The Master District is responsible for planning and providing major wastewater collection and treatment facilities to the MUD Participants within its Service Area. The Master District phase I wastewater treatment facility has been completed and is operated by the Master District (the “Wastewater Treatment Facility”) which currently consist of one plant (“Wastewater Plant”) with a total capacity of 150,000 gallons per day (“GPD”). The wastewater treatment capacity at the Wastewater plant will serve 500 ESFCs. The Master District is constructing a 150,000 GPD expansion to the Wastewater Plant for a total capacity of 300,000 GPD. Upon the completion the phase II wastewater treatment plant the total capacity will be 300,000 GPD and will be capable of serving 1,000 ESFCs. According to the Master District’s Engineer, the Master District has reserved capacity for 494 ESFCs for the MUD Participants and 172 ESFCs are being served by the Wastewater Treatment Facility.

The MUD Participants will receive wastewater treatment service from the wastewater treatment plant leased from AUC Group, L.P. (“AUC”). Under the Lease Agreements, all capacity in the wastewater treatment plant will be reserved to serve the development within the Service Area. The residents of MUD 477 and the District will receive wastewater treatment service from the wastewater treatment plant that is leased from AUC. The Master District entered into a lease agreements with AUC for phase I and phase II of the Wastewater Plant and is responsible for the monthly lease payments of \$27,035 for the phase I wastewater treat plant and \$7,140 for the phase II wastewater treatment plant totaling \$34,175 which are due on the first day of each month for the 60-month term of the lease. These leases will provide 300,000 GPD capacity for the Wastewater Plant. The District, in its capacity as a MUD Participant, and MUD 477 will finance their share of the lease payments via the Water, Sewer and Drainage Contract payments to the Master District.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the wastewater treatment demands of the Service Area. By reserving capacity to the MUD Participants, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active.

Major Water Distribution and Wastewater Collection: Major water distribution facilities consist of waterlines ranging in size from 8-inch to 16-inch. These water distribution facilities supply water from the Master District Water Supply Facilities to the internal facilities constructed by or on behalf of each MUD Participant. The major wastewater collection facilities include sanitary sewer lines ranging in size from 8-inch to 27-inch. These collection lines collect waste from the internal facilities constructed by or on behalf of each MUD Participant and transport it to the Wastewater Treatment Facilities.

Master Drainage: The Master District also provides the Service Area with drainage facilities, which include drainage channel facilities, detention pond facilities, and conveyance storm sewer lines (“Storm-Water Drainage Facilities”). The Master District is responsible for operation and maintenance of the Storm-Water Drainage Facilities.

The Service Area drains to stream K157-00-00. The Harris County Flood Control District (“HCFCD”) is responsible for maintenance of stream K157-00.00.

In 2021, MUD 477, on behalf of the District, initiated three condemnation suits to obtain the right to drain developed flows from the Jubilee development to stream K-157-00.00. The District has settled two of the three condemnation suits. The remaining condemnation suit will determine the value of the taking. The District has deposited the original court determined valuation with the court registry and has the right of possession. For the remaining condemnation suit, the District anticipates going to trial on June 23, 2025.

Internal Water Distribution, Wastewater Collection, and Storm Drainage Facilities: Internal water distribution, wastewater collection and storm drainage facilities have been constructed or are being constructed by the MUD Participants.

Storm Water Drainage Facilities and Flood Plain

Undeveloped land in the Service Area drains to Stream K157-00-00 and K160-00-00. Internal stormwater collection lines will be constructed for drainage system improvements to serve each MUD Participant's development and, will be conveyed to Harris County for operation and maintenance. This storm sewer system will serve all the MUD Participants' drainage area and will convey flows to several storm water detention basins owned and maintained by the Master District. The detention basins will ultimately drain to stream K157-00-00.

"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. According to the Engineer, none of the acreage in the Service Area is located within the 100-year flood plain. See "RISK FACTORS – Severe Weather."

Atlas 14

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

Master District Road Facilities

The Master District, in its capacity as the provider of facilities for regional arterial, collector and thoroughfare roads and improvements in aid thereof ("Master District Road Facilities") necessary to serve the Service Area, will construct the Master District Road Facilities. The major arterial, collector and thoroughfare roads necessary to serve the Service Area include, but are not limited to, Jubilee Haven Boulevard, Betka Road, Baethe Road, and Joyful Life Drive. The major thoroughfare and collectors consist of stabilized curb and gutter, 7-inch or 10-inch concrete pavement and includes bridges.

All roadways are designed and constructed in accordance with Harris County and City of Houston standards, rules and regulations. To date, Harris County has accepted the Master District Road Facilities for operation and maintenance and is responsible for operation and maintenance thereof. In the event Harris County were to fail to accept the Master District Road Facilities, the Master District is expected to include the cost of maintenance of same in the Master District's operation and maintenance expenses to be shared by the MUD Participants in accordance with the Master District Contract, and such cost could be significant.

These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by street lights, sidewalks and franchise utilities (power, gas, telephone and cable).

In addition to the Master District Road Facilities, internal roadways have been or are being constructed by the MUD Participants.

FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT (UNAUDITED)

Contract Revenue Bonds of the Master District

Direct Debt (the Contract Revenue Bonds, including the Bonds).....	\$ 5,200,000
Direct Debt (the Contract Revenue Road Bonds).....	4,500,000
Estimated Overlapping Debt.....	\$ 3,255,388 (a)
Total Direct and Overlapping Debt.....	\$ 12,955,388

Assessed Valuation of the MUD Participants

2024 Certified Taxable Assessed Valuation.....	\$ 21,058,947 (b)
Estimated Taxable Assessed Valuation as of January 5, 2025.....	\$ 97,365,523 (c)

Service Area Ratios of Debt to:

2024 Certified Taxable Assessed Valuation.....	46.06%
Estimated Taxable Assessed Valuation as of January 5, 2025.....	9.96%

Service Area Ratios of Debt and Estimated Overlapping Debt to:

2024 Certified Taxable Assessed Valuation.....	61.52%
Estimated Taxable Assessed Valuation as of January 5, 2025.....	13.31%

Master District Contract Revenue Debt Service Funds Available as of May 23, 2025:

Water, Sewer, and Drainage Debt Service Fund Balance.....	\$0 (d) (e)
Road Debt Service Fund Balance.....	\$334,425 (e)

Master District Capital Projects Funds Available as of May 23, 2025:

Water, Sewer, and Drainage Capital Projects Fund Balance.....	\$0 (f)
Road Capital Projects Fund Balance.....	\$52,733

Debt Service Requirements (the Outstanding Bonds and the Bonds):

Projected Maximum Annual Debt Service Requirements (2026).....	\$696,667 (g)
Projected Average Annual Debt Service Requirements (2026-2050).....	\$677,929 (g)

Master District General Fund, Funds Available as of May 23, 2025:

General Fund Balance	\$17,166 (h)
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(a) See "Estimated Overlapping Debt" herein.

(b) As certified by the Appraisal District. See "TAXING PROCEDURES."

(c) The Appraisal District has provided an Estimated Taxable Assessed Valuation as of January 5, 2025 for informational purposes for MUD 477 and the District, which was calculated by updating the 2024 Certified Taxable Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2024 to January 5, 2025. These estimates have no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

(d) To be initially funded upon the closing of the Bonds with eighteen (18) months of capitalized interest on the Bonds.

(e) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Contract Revenue Debt Service Funds.

(f) To be initially funded upon the closing of the Bonds.

(g) Each MUD Participant is obligated to pay a pro rata share of annual debt service on the Contract Revenue Bonds by the dates specified by the Master District. See "THE BONDS — Contract Payments by the MUD Participants—Unconditional Obligation to Pay" and "MASTER DISTRICT CONTRACT." The Master District has specified April 1 and October 1 as the dates by which the MUD Participants are required to pay contract payments that are due for Contract Revenue Bonds.

(h) See "Risk Factors – Operating Funds."

MUD Participants' Assessed Value as a Percentage of all MUD Participants

MUD Participants	2024 Certified Taxable Assessed Valuation	Estimated Taxable Assessed Valuation as of 1/5/2025	% of Estimated Taxable Assessed Valuation as of 1/5/2025
MUD 477	\$ 21,023,871	\$ 97,330,447	99.96%
MUD 478	\$ 35,076	\$ 35,076	0.04%
	\$ 21,058,947	\$ 97,365,523	100.00%

Outstanding Bonds

Series	Principal Amount	Outstanding as of May 23, 2025
2025 Contract Revenue Road Bonds	\$4,500,000	\$4,500,000
		<u>\$4,500,000</u>

Debt Service Requirements

The following table sets forth the estimated debt service requirements for the Outstanding Bonds and the Bonds at an assumed interest rate of 5.00% per annum. This schedule does not reflect the fact that eighteen (18) months of interest will be capitalized from Bond proceeds.

Year	Outstanding Debt Service	Debt Service on the Bonds			Total Debt Service
		Principal	Interest	Total	
2025	\$ 192,500				\$ 192,500
2026	305,000	\$ 45,000	\$ 346,667	\$ 391,667	696,667
2027	303,469	115,000	257,750	372,750	676,219
2028	301,594	120,000	252,000	372,000	673,594
2029	299,375	125,000	246,000	371,000	670,375
2030	296,813	135,000	239,750	374,750	671,563
2031	293,906	140,000	233,000	373,000	666,906
2032	293,656	145,000	226,000	371,000	664,656
2033	298,188	155,000	218,750	373,750	671,938
2034	297,281	160,000	211,000	371,000	668,281
2035	296,156	170,000	203,000	373,000	669,156
2036	299,813	180,000	194,500	374,500	674,313
2037	298,031	190,000	185,500	375,500	673,531
2038	301,031	200,000	176,000	376,000	677,031
2039	303,594	210,000	166,000	376,000	679,594
2040	300,719	220,000	155,500	375,500	676,219
2041	302,625	230,000	144,500	374,500	677,125
2042	304,094	240,000	133,000	373,000	677,094
2043	305,125	255,000	121,000	376,000	681,125
2044	305,719	265,000	108,250	373,250	678,969
2045	310,875	280,000	95,000	375,000	685,875
2046	310,375	295,000	81,000	376,000	686,375
2047	309,438	305,000	66,250	371,250	680,688
2048	313,063	325,000	51,000	376,000	689,063
2049	316,031	340,000	34,750	374,750	690,781
2050	318,344	355,000	17,750	372,750	691,094
Total	<u>\$ 7,776,813</u>	<u>\$ 5,200,000</u>	<u>\$ 4,163,917</u>	<u>\$ 9,363,917</u>	<u>\$ 17,140,729</u>
Projected Average Annual Debt Service Requirements (2026-2050).....					\$677,929
Projected Maximum Annual Debt Service Requirements (2026).....					\$696,667

Estimated Overlapping Debt Statement

The following table of entities located within the MUD Participants' boundaries indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the MUD Participants' boundaries are located and the estimated percentages and amounts of such indebtedness attributable to property within the MUD Participants' boundaries. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the MUD Participants' boundaries are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,424,019,039	04/30/25	0.00% **	\$ 76,452
Harris County Department of Education.....	28,960,000	04/30/25	0.00% **	913
Harris County Flood Control District.....	968,445,000	04/30/25	0.00% **	31,179
Harris County Hospital District.....	59,315,000	04/30/25	0.00% **	1,909
Port of Houston Authority.....	406,509,397	04/30/25	0.00% **	13,089
Waller-Harris ESD No. 200.....	-	04/30/25	0.19% **	-
Waller ISD.....	695,395,000	04/30/25	0.45%	3,131,846
Total Estimated Overlapping Debt.....				\$ 3,255,388
The Master District.....	\$ 9,700,000 (a)	Current	100.00%	9,700,000
Total Direct and Estimated Overlapping Debt (a).....				\$ 12,955,388
Ratios of Total Direct and Estimated Overlapping Debt in the Service Area to:				
2024 Certified Taxable Assessed Valuation.....				61.52%
Estimated Taxable Assessed Valuation as of January 5, 2025.....				13.31%

(**) Less than 0.01%.

(a) Includes the Bonds.

Overlapping Tax Rates for 2024

	2024 Tax Rate per \$100 of Taxable Assessed Valuation
Harris County.....	\$ 0.385290
Harris County Department of Education.....	0.004799
Harris County Flood Control District.....	0.048970
Harris County Hospital District.....	0.163480
Port of Houston Authority.....	0.006150
Waller-Harris ESD No. 200.....	0.096641
Waller ISD.....	1.106900
MUD Participant (a).....	1.500000
Total Tax Rate.....	\$ 3.312230

(a) Represents the highest total tax rate for any of the MUD Participants.

TAX DATA

Contract Tax

The District, in its capacity as Master District, has the authority to issue Contract Revenue Bonds. Each MUD Participant's pro rata share of the annual debt service requirements on the Contract Revenue Bonds shall be determined annually by dividing each of such MUD Participant's certified appraised value by the total of all the MUD Participants' certified appraised value. The Master District Contract obligates each MUD Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of an annual unlimited ad valorem tax levied by each MUD Participant, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. The debt service requirement shall include principal, interest and redemption requirements on the Contract Revenue Bonds, charges and expenses of paying agents/registrars, and all amounts necessary to establish and maintain funds established under the resolution(s) pursuant to which the Contract Revenue Bonds are issued. Until the MUD Participants levy a Contract Tax, Contract Payments will be paid from operating funds advanced by the Developers. The Master District has not levied a contract tax on the MUD Participants.

Tax Roll Information

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

MUD Participants	MUD Participant 2024 Certified Taxable Assessed Valuation	MUD Participant 2023 Certified Taxable Assessed Valuation	MUD Participant 2022 Certified Taxable Assessed Valuation	MUD Participant 2021 Certified Taxable Assessed Valuation
MUD 477	\$ 21,023,871	\$ 6,881,899	\$ 227,885	\$ 92,480
MUD 478	35,076	-	-	-
	<u>\$ 21,058,947 (a)</u>	<u>\$ 6,881,899</u>	<u>\$ 227,885</u>	<u>\$ 92,480</u>

(a) As certified by the Appraisal District. See "TAXING PROCEDURES."

Tax Adequacy for Debt Service

The Contract Tax (comprised of the Water, Sewer, and Drainage Contract Tax and the Road Contract Tax) rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet projected average annual and projected maximum annual debt service requirements if no growth in the MUD Participants' tax base occurred beyond the 2024 Certified Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of January 5, 2025. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values of the MUD Participants, collection of ninety- five percent (95%) of taxes levied, the sale of no additional Contract Revenue Bonds by the Master District, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED) – Debt Service Requirements."

Projected average annual debt service requirement (2026-2050).....	\$677,929
\$3.39 taxrate on the 2024 Certified Taxable Assessed Valuation	
of \$21,058,947 at a 95% collection rate produces.....	\$678,203
\$0.74 taxrate on the Estimated Taxable Assessed Valuation as of January 5, 2025	
of \$97,365,523 at a 95% collection rate produces.....	\$684,480
Projected maximum annual debt service requirement (2026).....	\$696,667
\$3.49 taxrate on the 2024 Certified Taxable Assessed Valuation	
of \$21,058,947 at a 95% collection rate produces.....	\$698,209
\$0.76 taxrate on the Estimated Taxable Assessed Valuation as of January 5, 2025	
of \$97,365,523 at a 95% collection rate produces.....	\$702,979

TAX PROCEDURES

Authority to Levy Taxes

Each MUD Participant, including the District in its capacity as a MUD Participant, is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in an amount sufficient to pay the principal of and interest on the outstanding bonds issued by such MUD Participant, to pay its pro rata share of debt service requirements on the contract revenue bonds issued by the Master District, and to pay the expenses of assessing and collecting such taxes. Under Texas law, the board of directors of each MUD Participant may also levy and collect an annual ad valorem tax for the operation and maintenance of such MUD Participant and its facilities. See “RISK FACTORS – Future Debt” and “TAX DATA – Contract Tax.”

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the MUD Participants

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, manufactured 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 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran’s residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse of a deceased veteran who had received a disability rating of 100%, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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. This exemption also applies, under certain conditions, to a residence homestead that was donated by a charitable

organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty, is subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption in the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. The District is authorized by statute to disregard previously granted residential homestead exemptions if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District does not grant a residential homestead exemption at this time.

Freeport Goods and Goods-in Transit Exemptions: 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 not later than 175 days after the person acquired or imported the property into the State.

A "Goods-in-Transit" Exemption is applicable to goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory, if such property is acquired in or imported into Texas only if such property is to be forwarded to another location in or outside of Texas and 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, and is transported to another location in the state or outside of the state not later than 175 days after the date the person acquired the property in or imported the property into Texas. 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 property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, and the MUD Participants, under certain circumstances, 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 any MUD Participant participating in the abatement agreement, 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 Service Area 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 MUD Participants in establishing their tax rolls and tax rates. Generally, 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 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 as to 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 MUD Participant 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 District 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 District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. Each MUD Participant, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the MUD Participant or an estimate of any new property or improvements within the MUD Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the MUD Participant, it cannot be used for establishing a tax rate within the MUD Participant until such time as the Appraisal District chooses formally to 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 a MUD Participant, adopting its tax rate for the tax year. A taxing unit, such as a MUD Participant, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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

The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

MUD Participant and Taxpayer Remedies

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

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

Levy and Collection of Taxes

Each MUD Participant 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, after the legally required notice has been given to owners of property within the MUD Participant, based upon: a) the valuation of property within the MUD Participant 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. Personal property incurs an additional 20% penalty on or after April 1 of the year in which the taxes became delinquent and real property incurs such additional penalty on July 1 of the year in which the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the MUD Participant and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the district, may be rejected. 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.

Additional Penalties

Each MUD Participant has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, each MUD Participant 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 Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the MUD Participants 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.

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 are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Unit: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback 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 are 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 a rollback 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 MUD Participants: For the 2024 tax year, each of the MUD Participants have been determined to be a Developing District. For future years, a determination as to each MUD Participant's status as a Special Taxing Unit, Developed District or Developing District will be made by each MUD Participant on an annual basis. The District cannot give any assurances as to what the MUD Participants' classifications will be at any point in time or whether the MUD Participants future tax rates will result in a total tax rate that will reclassify the MUD Participant into a new classification and new rollback election calculation.

MUD Participant's Rights in the Event of Tax Delinquencies

Taxes levied by each MUD Participant are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including each MUD Participant, having power to tax the property. The MUD Participant's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of a 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, a MUD Participant may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the limitations set forth under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, a MUD Participant 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, and by taxpayer redemption rights. A taxpayer may redeem commercial property within six months and all other types of property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records. A MUD Participant's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS – General" and "RISK FACTORS – Tax Collection Limitations and Foreclosure Remedies."

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT – General," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. 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.

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

Orrick, Herrington & Sutcliffe LLP, Houston, Texas ("Disclosure Counsel") 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.

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 Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

THE FOLLOWING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE PURCHASER OF THE BONDS SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE BONDS.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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 bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it 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 that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will

express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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 thereof. 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 as to whether 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, regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

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

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

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

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

Tax Accounting Treatment of Original Issue Premium

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

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules

that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

Not Qualified Tax-Exempt Obligations

The Bonds will not be “qualified tax-exempt obligations” for financial institutions.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by _____ (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of _____% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

Application has been made to municipal bond insurance companies for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser’s expense. See “RISK FACTORS – Risk Factors Related to the Purchase of Municipal Bond Insurance.”

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District’s records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such

documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Post Oak Municipal Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Post Oak Municipal Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” – 290 WR Holdings LP, Taylor Morrison Homes of Texas (the “Developers”), LJA Engineering, Inc. (“Engineer”), and Records of the District (“Records”); “THE DEVELOPERS” – the Developers; “USE OF BOND PROCEEDS,” “MASTER DISTRICT FACILITIES,” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT” - Harris Central Appraisal District and Tax Tech Incorporated, Tax Assessor/Collector; “ESTIMATED OVERLAPPING DEBT STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” – Tax Tech Incorporated; “MANAGEMENT” – Records; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “RISK FACTORS” – the Engineer, Financial Advisor, and Allen Boone Humphries Robinson LLP; “THE BONDS,” “TAX PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS” – Allen Boone Humphries Robinson LLP.

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the Master District Facilities and in particular that information included in the sections entitled “THE DISTRICT – General, Description and Location, Land Use,” “USE OF BOND PROCEEDS,” “MASTER DISTRICT FACILITIES” and “RISK FACTORS – Severe Weather” has been provided by LJA Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuation, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech Incorporated. and is included herein in reliance upon the authority of such entity as experts in assessing and collecting taxes.

Auditor: The financial statements of the District as of February 29, 2024, included in this Official Statement, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s February 29, 2024, audited financial statements.

Bookkeeper: The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “OPERATING STATEMENT” has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this Preliminary Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District has less than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. In the Bond Resolution, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System for such purpose.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB. In addition, the District has agreed to provide information with respect to 290 Holdings, any person or entity to whom the 290 Holdings voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the 290 Holdings (a "Developer") and any such other person or entity only if and so long as (1) such person owns more than 20% of the total taxable property within the MUD Participants by value, as reflect by the most recently certified tax rolls (and without effect special valuation provisions), (2) such person has made tax or other payments which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for Master District facilities or debt in an amount which exceeds 20% of the amount of the District's Contract Revenue Bonds then outstanding. The financial information and operating data which will be provided with respect to the District will be the MUD Participants' audited financial statements (APPENDIX B) and with respect to the Developer will be: (i) the information found in APPENDIX C. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after

2025. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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 the federal securities laws. Neither the Bonds nor the Bond Resolution make 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.” The MUD Participants are “obligated persons” within the meaning of the Rule.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the

Registered Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Since the Series 2025 issuance, the Master District has complied in all material respects with all its prior continuing disclosure agreements made in accordance with the Rule.

MISCELLANEOUS

The information set forth herein has been obtained from the Master District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 478, as of the date shown on the cover page.

/s/

President, Board of Directors
Harris County Municipal Utility District No. 478

ATTEST:

/s/

Secretary, Board of Directors
Harris County Municipal Utility District No. 478

AERIAL PHOTOGRAPH

(Approximate boundaries of the Service Area as of January 2025)



PHOTOGRAPHS

The following photographs were taken in the District in May 2025, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.



















APPENDIX A

Certain Financial Information Regarding the MUD Participants

Selected information concerning the MUD Participants is included in this Appendix in addition to certain general information concerning the MUD Participants and their obligation under the Master District Contract contained in the body of the OFFICIAL STATEMENT. See “THE MUD PARTICIPANTS” and “MASTER DISTRICT CONTRACT” therein. Each MUD Participant is severally liable for its Contract Payments in an amount equal to its pro rata share of debt service requirements on the Outstanding Bonds and the Bonds. No MUD Participant is liable for more than its share of such debt service. Consequently, the ability of the Master District to make timely payment of principal of and interest on the Outstanding Bonds and the Bonds would be impaired if any MUD Participant became unable to make its Contract Payments in full when due, unless the funds otherwise available in the Contract Revenue Debt Service Funds exceed the amount of such MUD Participant's deficiency.

Certain Calculations

The information concerning the debt burden of the MUD Participants makes reference to the principal amount of each MUD Participant's pro rata share of debt service on the Bonds and the Outstanding Bonds, each MUD Participant's outstanding unlimited tax bonds, if any, and certain annual tax rate calculations. In each case, this information has been computed as follows:

Contract Debt: The principal amount of each MUD Participant's Master District Contract debt for the Bonds has been calculated for purposes of analysis by allocating the principal amount of the Bonds among the MUD Participants in proportion to their assessed valuation. The assessed valuations used for this calculation are based on the 2024 Certified Taxable Assessed Valuation of \$21,058,947. The MUD Participants' share of annual debt service requirements on the Bonds will be determined annually by reference to their relative certified assessed valuations established by the Appraisal District.

Tax Rate Calculations: Tax rate calculations assume that each MUD Participant's assessed valuation does not change from the 2024 Certified Taxable Assessed Valuation of \$21,058,947 or the Estimated Taxable Assessed Valuation as of January 5, 2025, of \$97,365,523 and that each MUD Participant collects ninety percent (95%) of the taxes it levies, that it issues no additional bonds, and that the Master District does not issue any additional Contract Revenue Bonds (including any additional Contract Revenue Bonds or Contract Revenue Road Bonds).

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Facilities Bonds	\$	189,865,000	
Voter Authorized Unlimited Tax Road Facilities Bonds	\$	168,140,000	
Voter Authorized Unlimited Tax Parks and Recreational Bonds	\$	209,060,000	
Total Principal Amount of Unlimited Tax Bonds Issued to Date	\$	-	
Debt Service Tax Limitation		Unlimited	
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation	\$	1.50	
Maintenance Tax for Road Facilities Limitation	\$	0.25	
Contract Tax Limitation		Unlimited	
Gross Outstanding Direct Debt	\$	-	
2024 Certified Taxable Assessed Valuation	\$	21,023,871	(a)
Estimated Taxable Assessed Valuation as of January 5, 2025	\$	97,330,447	(b)
2024 Certified Taxable Assessed Valuation as a Percentage of:			
2024 Certified Taxable Assessed Valuation of all MUD Participants		99.83%	
Estimated Taxable Assessed Valuation as of January 5, 2025, of all MUD Participants		99.96%	
Projected Average Annual Debt Service on the Outstanding Bonds and the Bonds (\$659,259) (2026-2050):			
Direct Debt	\$	-	
Pro Rata Share Based on the 2024 Certified Taxable Assessed Valuation	\$	676,800	
Pro Rata Share Based on the Estimated Taxable Assessed Valuation as of January 5, 2025	\$	677,685	
Projected Maximum Debt Service on the Outstanding Bonds and the Bonds (\$696,667) (2026):			
Direct Debt	\$	-	
Pro Rata Share Based on the 2024 Certified Taxable Assessed Valuation	\$	695,506	
Pro Rata Share Based on the Estimated Taxable Assessed Valuation as of January 5, 2025	\$	696,416	
Projected Tax Rate Required to Pay Direct Debt and Pro Rata Share of the Outstanding Bonds and the Bonds Based on 2024 Certified Taxable Assessed Valuation of \$20,953,011 at 95% Collections:			
Projected Average Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026-2050)	\$	3.39	
Projected Maximum Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026)	\$	3.49	
Projected Tax Rate Required to Pay Direct Debt and Pro Rata Share of the Outstanding Bonds and the Bonds Based on Estimated Taxable Assessed Valuation as of January 5, 2025 of \$97,330,447 at 95% Collections:			
Projected Average Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026-2050)	\$	0.74	
Projected Maximum Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026)	\$	0.76	

(a) As certified by the Appraisal District.

(b) The Appraisal District has provided an Estimated Taxable Assessed Valuation as of January 5, 2025 for informational purposes for MUD 477 which was calculated by updating the 2024 Certified Taxable Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2024 to January 5, 2025. These estimates have no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

Principal Taxpayers

<u>Taxpayer *</u>	<u>Type of Property</u>	<u>2024 Certified Taxable Assessed Valuation</u>	<u>% of 2024 Certified Taxable Assessed Valuation</u>
290 WR Holdings LP (a)	Land and Improvements	\$ 7,530,509	35.82%
Newmark Homes Houston LLC	Land and Improvements	1,929,586	9.18%
Highland Homes Houston LLC	Land and Improvements	1,924,711	9.15%
Westin Homes and Properties LP	Land and Improvements	1,579,909	7.51%
Chesmar Homes LLC	Land and Improvements	1,410,210	6.71%
Weekly Homes LLC	Land and Improvements	1,173,906	5.58%
McGuyer Land Holdings LLC	Land	1,044,692	4.97%
Tri Pointe Homes Texas Inc.	Land and Improvements	899,020	4.28%
Perry Homes LLC	Land	865,901	4.12%
DFH Coventry LLC	Land	125,700	0.60%
Total for Principal Taxpayers		\$ 18,484,144	87.92%

(a) See "THE DEVELOPERS."

(*) Taylor Morrison was annexed into the District in 2024.

Tax Rate Distribution

	<u>2023 (a)</u>	<u>2024</u>
Debt Service Tax Rate	\$0.00	\$0.00
Maintenance and Operations Tax Rate	\$1.50	\$1.50
Contract Tax Rate	\$0.00	\$0.00
Total Participant Tax Rate	\$1.50	\$1.50

(a) The District levied its initial maintenance and operations tax in 2023 in the amount of \$1.50 per \$100 of assessed valuation.

Tax Collections

<u>Tax Year</u>	<u>Net Certified Taxable Valuation</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Total Collections As of April 30, 2025</u>	
				<u>Amount</u>	<u>Percent</u>
2023	\$6,881,899	\$1.50	\$103,228	\$103,228	100.00%
2024	21,023,871	1.50	315,358	\$312,410	99.07%

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478

(In its Capacity as a MUD Participant)

Voter Authorized Unlimited Tax Water, Sewer, and Drainage Facilities Bonds	\$	312,000,000	
Voter Authorized Unlimited Tax Road Facilities Bonds	\$	220,000,000	
Voter Authorized Unlimited Tax Parks and Recreational Bonds	\$	272,000,000	
Total Principal Amount of Unlimited Tax Bonds Issued to Date	\$	-	
Debt Service Tax Limitation		Unlimited	
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation	\$	1.50	
Maintenance Tax for Road Facilities Limitation	\$	0.25	
Contract Tax Limitation		Unlimited	
Gross Outstanding Direct Debt	\$	-	
2024 Certified Taxable Assessed Valuation	\$	35,076	(a)
Estimated Taxable Assessed Valuation as of January 5, 2025	\$	35,076	(b)
2024 Certified Taxable Assessed Valuation as a Percentage of:			
2024 Certified Taxable Assessed Valuation of all MUD Participapnts		0.17%	
Estimated Taxable Assessed Valuation as of January 5, 2025, of all MUD Participapnts		0.04%	
Projected Average Annual Debt Service on the Outstanding Bonds and the Bonds (\$659,259) (2026-2050):			
Direct Debt	\$	-	
Pro Rata Share Based on the 2024 Certified Taxable Assessed Valuation	\$	1,129	
Pro Rata Share Based on the Estimated Taxable Assessed Valuation as of January 5, 2025	\$	244	
Projected Maximum Annual Debt Service on the Outstanding Bonds and the Bonds (\$696,667) (2026):			
Direct Debt	\$	-	
Pro Rata Share Based on the 2024 Certified Taxable Assessed Valuation	\$	1,160	
Pro Rata Share Based on the Estimated Taxable Assessed Valuation as of January 5, 2025	\$	251	
Projected Tax Rate Required to Pay Direct Debt and Pro Rata Share of the Outstanding Bonds and the Bonds Based on 2024 Certified Taxable Assessed Valuation of \$35,076, at 95% Collections:			
Projected Average Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026-2050)	\$	3.39	
Projected Maximum Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026)	\$	3.49	
Projected Tax Rate Required to Pay Direct Debt and Pro Rata Share of the Outstanding Bonds and the Bonds Based on Estimated Taxable Assessed Valuation as of January 5, 2025 of \$35,076 at 95% Collections:			
Projected Average Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026-2050)	\$	0.74	
Projected Maximum Annual Debt Service:			
Direct Debt	\$	-	
The Contract Revenue Bonds (2026)	\$	0.76	

(a) As certified by the Appraisal District.

(b) The Appraisal District has provided an Estimated Taxable Assessed Valuation as of January 5, 2025 for informational purposes for the District, which was calculated by updating the 2024 Certified Taxable Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2024 to January 5, 2025. These estimates have no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Certified Taxable Assessed Valuation</u>	<u>% of 2024 Certified Taxable Assessed Valuation</u>
290 WR Holdings LP (a)	Agriculture	\$ 35,076	100.00%
Total for Principal Taxpayers		\$ 35,076	100.00%

(a) See “THE DEVELOPERS.”

Tax Rate Distribution

	<u>2024 (a)</u>
Debt Service Tax Rate	\$0.00
Maintenance and Operations Tax Rate	\$0.00
Contract Tax Rate	\$0.00
Total Participant Tax Rate	\$0.00

(a) The District does not expect to levy a tax rate in 2024. The District anticipates requesting developer advances to make the Contract Payments to the Master District.

Tax Collections

The District has not collected taxes in previous years.

APPENDIX B

Financial Statement of Harris County MUD 477 for the year ended February 29, 2024
Financial Statement of Harris County MUD 478 for the year ended February 29, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 29, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 477
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Municipal Utility District No. 477 (the "District") as of and for the year ended February 29, 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 major fund of the District as of February 29, 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.

Board of Directors
Harris County Municipal Utility District No. 477

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 28, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2024

Management's discussion and analysis of Harris County Municipal Utility District No. 477's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended February 29, 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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 the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for maintenance tax revenues, service revenues, developer advances, operating costs and general expenditures.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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. A 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 \$209,729 as of February 29, 2024. The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 64,116	\$ 17,820	\$ 46,296
Capital Assets (Net of Accumulated Depreciation)	26,410,939	11,187,997	15,222,942
Total Assets	\$ 26,475,055	\$ 11,205,817	\$ 15,269,238
Due to Developer	\$ 18,073,323	\$ 4,890,581	\$ (13,182,742)
Other Liabilities	8,611,461	6,536,883	(2,074,578)
Total Liabilities	\$ 26,684,784	\$ 11,427,464	\$ (15,257,320)
Net Position:			
Net Investment in Capital Assets	\$ (162,384)	\$ 5,207,440	\$ (5,369,824)
Unrestricted	(47,345)	(5,429,087)	5,381,742
Total Net Position	\$ (209,729)	\$ (221,647)	\$ 11,918

The following table provides a comparative analysis of the District's operations for the years ending February 29, 2024, and February 28, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 103,228	\$	\$ 103,228
Charges for Services	122,848		122,848
Other Revenues	3,053	146	2,907
Total Revenues	\$ 229,129	\$ 146	\$ 228,983
Expenses for Services	217,211	90,347	(126,864)
Change in Net Position	\$ 11,918	\$ (90,201)	\$ 102,119
Net Position, Beginning	(221,647)	(131,446)	(90,201)
Net Position, Ending	\$ (209,729)	\$ (221,647)	\$ 11,918

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED FEBRUARY 29, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of February 29, 2024, was a deficit balance of \$47,428, an increase of \$491,078 from the prior year deficit balance of \$538,506. This increase was primarily due to developer advances, property tax revenues and service revenues exceeding operating, capital and settlement costs.

CAPITAL ASSETS

Capital assets as of February 29, 2024, total \$26,410,939 and includes land.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	<u>\$ 26,410,939</u>	<u>\$ 11,187,997</u>	<u>\$ 15,222,942</u>

Additional information on the District's capital assets can be found in Note 5 of this report.

LONG-TERM DEBT

As of February 29, 2024, the District recorded an amount due to Developer of \$18,073,323 which consists of advances made by the Developer during the previous and current fiscal years. In addition, the District has recorded a Settlements Payable in the amount of \$8,500,000. See Note 10 for information on the Settlement Agreements approved as of February 29, 2024.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. It was amended to increase projected revenues and expenditures. Actual revenues were \$123,450 more than budgeted, actual expenditures were \$12,673,210 more than budgeted expenditures and actual developer advances were \$12,997,742 more than budgeted. This resulted in a positive budget variance of \$447,982. See the budget to actual comparison for more information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 477, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 29, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 62,988	\$	\$ 62,988
Receivables:			
Property Taxes	83		83
Service Accounts	1,045		1,045
Land		26,410,939	26,410,939
TOTAL ASSETS	<u>\$ 64,116</u>	<u>\$ 26,410,939</u>	<u>\$ 26,475,055</u>
LIABILITIES			
Accounts Payable	\$ 87,461	\$	\$ 87,461
Settlements Payable		8,500,000	8,500,000
Due to Developers		18,073,323	18,073,323
Security Deposits	24,000		24,000
TOTAL LIABILITIES	<u>\$ 111,461</u>	<u>\$ 26,573,323</u>	<u>\$ 26,684,784</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 83	\$ (83)	\$ -0-
FUND BALANCE			
Unassigned	\$ (47,428)	\$ 47,428	\$ -0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 64,116</u>		
NET POSITION			
Net Investment in Capital Assets		\$ (162,384)	\$ (162,384)
Unrestricted		(47,345)	(47,345)
TOTAL NET POSITION		<u>\$ (209,729)</u>	<u>\$ (209,729)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FEBRUARY 29, 2024

Total Fund Balance - Governmental Fund	\$	(47,428)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		26,410,939
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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.		83
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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	\$ (18,073,323)	
Settlements Payable	<u>(8,500,000)</u>	<u>(26,573,323)</u>
Total Net Position - Governmental Activities		<u>\$ (209,729)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2024

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 103,145	\$ 83	\$ 103,228
Water Service	3,849		3,849
Wastewater Service	4,174		4,174
Tap Connection and Inspection Fees	114,795		114,795
Penalty and Interest	30		30
Investment Revenues	2,588		2,588
Miscellaneous Revenues	465		465
TOTAL REVENUES	<u>\$ 229,046</u>	<u>\$ 83</u>	<u>\$ 229,129</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 161,394	\$	\$ 161,394
Contracted Services	9,548		9,548
Repairs and Maintenance	638		638
Other	45,631		45,631
Capital Outlay	1,795,757	(1,795,757)	
Settlement Payments	10,907,742	(10,907,742)	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 12,920,710</u>	<u>\$ (12,703,499)</u>	<u>\$ 217,211</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (12,691,664)</u>	<u>\$ 12,703,582</u>	<u>\$ 11,918</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	\$ 13,182,742	\$ (13,182,742)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 491,078	\$ (491,078)	\$
CHANGE IN NET POSITION		11,918	11,918
FUND BALANCE (DEFICIT)/NET POSITION - MARCH 1, 2023	<u>(538,506)</u>	<u>316,859</u>	<u>(221,647)</u>
FUND BALANCE (DEFICIT)/NET POSITION - FEBRUARY 29, 2024	<u><u>\$ (47,428)</u></u>	<u><u>\$ (162,301)</u></u>	<u><u>\$ (209,729)</u></u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2024**

Net Change in Fund Balance - Governmental Fund	\$	491,078
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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.		83
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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.		1,795,757
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Governmental funds report settlement payments for easements as expenditures. However, in the Statement of Net Position, settlement payments are reported as decreases in long-term liabilities.		10,907,742
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Governmental funds report developer advances 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.		(13,182,742)
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Change in Net Position - Governmental Activities	\$	<u>11,918</u>
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The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 1. CREATION OF DISTRICT

The District was created by an order of the Texas Commission on Environmental Quality (the “Commission”), effective June 13, 2008, in accordance with the Texas Water Code, Chapters 49 and 54. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on January 11, 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 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 sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- * Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- * Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it's 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 to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for maintenance tax revenues, service revenues, developer advances, operating costs and general expenditures.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. 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 \$15,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Drainage System	20-45

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets 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. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. 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 \$62,988 and the bank balance was \$546,061. The District was not exposed to custodial credit risk.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 29, 2024

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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.

As of February 29, 2024, the District did not have any investments.

NOTE 4. BONDS VOTED

As of February 29, 2024, the District had authorized but unissued bonds in the amount of \$189,865,000 for the purchase or construction of water, sewer, and drainage facilities and the refunding of bonds issued for same, \$209,060,000 for the purchase or construction of parks and recreational facilities and the refunding of bonds issued for same, and \$168,140,000 for the purchase or construction of road facilities and the refunding of bonds for same.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2024:

	March 1, 2023	Increases	Decreases	February 29, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	<u>\$ 11,187,997</u>	<u>\$ 15,222,942</u>	<u>\$ - 0 -</u>	<u>\$ 26,410,939</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 6. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended February 29, 2024, the District levied an ad valorem maintenance tax rate of \$1.50 per \$100 assessed valuation, which resulted in a tax levy of \$103,228 on the adjusted taxable valuation of \$6,881,899 for the 2023 tax year.

On May 1, 2021, the voters of the District approved the levy and collection of a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation to be used for constructing and maintaining the District's roads. As of February 29, 2024, the District has not levied a road maintenance tax.

NOTE 7. RISK MANAGEMENT

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

NOTE 8. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of \$18,073,323 for advances as of February 29, 2024. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs for advances:

Due to Developer, beginning of year	\$ 4,890,581
Additions	<u>13,182,742</u>
Due to Developer, end of year	<u><u>\$ 18,073,323</u></u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 9. DEFICIT FUND BALANCE

The General Fund has a deficit balance of \$47,428 as of February 29, 2024. This deficit is projected to be eliminated with maintenance tax collections and/or developer advances in the next fiscal year.

NOTE 10. SETTLEMENT AGREEMENT

Effective February 16, 2023, the District executed a Settlement Agreement (“Agreement”) with Minero Holdings, LLC (Minero”) to settle an eminent domain lawsuit for an easement and right-of-way on land owned by Minero. The Agreement calls for the District to pay Minero \$7,000,000. The settlement payment called for in the Agreement is to be paid to Minero as follows: a one-time payment of \$3,500,000 consisting of the sum of \$1,019,443 which the District had previously deposited into the registry of the Court hearing the lawsuit in August 2021, and the sum of \$2,480,557 to be paid within 30 days of the effective date of the Agreement which occurred in March 2023; and installment payments of \$3,500,000 to be paid in seven equal payments in the amount of \$500,000 due no later than 14 calendar days following the end of each six-month period beginning from the effective date of the Agreement.

Pursuant to this Agreement, the District and the Developer have executed an Agreement to Advance Funds whereby the Developer has agreed to advance the amounts to the District required to make the seven installment payments of \$500,000 each. During the current fiscal year, the District made settlement payments in the amount of \$3,480,557 per this Agreement, leaving a balance due of \$2,500,000 as of February 29, 2024.

Effective November 30, 2023, the District executed a Settlement Agreement (“Agreement 2”) with Weiss Land and Development, LLC (“Weiss”) to settle an eminent domain lawsuit for an easement and right-of-way on land owned by Weiss. The agreement calls for the District to pay Weiss \$13,500,000. The settlement payment called for in Agreement 2 is be paid to Weiss as follows: a one-time payment of \$7,500,000 consisting of the sum of \$72,815, which the District had previously deposited into the registry of the Court hearing the lawsuit in July 2021, and the sum of \$7,427,185 to be paid on or before December 29, 2023, which has occurred; and installment payments of \$6,000,000 in the three equal payments on or before the last business day in December for the years 2024, 2025, and 2026 until the third and final installment payment has been made.

In the event the District fails to make an installment payment, the District and the Developer have executed a certain agreement whereby the Developer would have to advance funds for the installment payments due to Weiss. As of February 29, 2024, the District still owes Weiss \$6,000,000.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 11. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the seventy-seventh Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater and of groundwater reservoirs or their subdivisions, the control of subsidence caused by withdrawal of water from those groundwater reservoirs of their subdivision.

The Authority charges a fee which enables it to fulfill its purpose and regulatory functions. The current pumpage fee charged by the Authority is \$3.95 per 1,000 gallons of water pumped from each well. The District had only minimal builder connections during the current fiscal year and, as such, did not pay any fees to the Authority.

NOTE 12. COST SHARING AGREEMENT

The District, Harris County Municipal Utility District No. 478 (“District No. 478”) and the respective Developers for each district have executed a Cost Sharing Agreement (“Agreement”) confirming District No. 478 as the Master District of the combined development. The District is constructing certain water plants, detention ponds and culverts, clearing for the wastewater treatment plant and has obtained the offsite easements and is constructing the offsite drainage ditch on behalf of the Master District. Upon completion of certain Master District construction contracts, the District will deed those projects to the Master District for ultimate reimbursement, ownership and maintenance of those facilities. Each district will pay monthly operating charges to operate and maintain as set forth in a facilities future Master District Operating Agreement.

The District will provide internal water, sanitary sewer and drainage facilities, as well as road and park and recreational facilities to serve the land within its boundaries.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477

REQUIRED SUPPLEMENTARY INFORMATION

FEBRUARY 29, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2024

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$	\$ 105,346	\$ 103,145	\$ (2,201)
Water Service			3,849	3,849
Wastewater Service			4,174	4,174
Tap Connection and Inspection Fees			114,795	114,795
Penalty and Interest			30	30
Investment Revenues		250	2,588	2,338
Miscellaneous Revenues			465	465
TOTAL REVENUES	<u>\$ -0-</u>	<u>\$ 105,596</u>	<u>\$ 229,046</u>	<u>\$ 123,450</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 146,000	\$ 123,000	\$ 161,394	\$ (38,394)
Contracted Services	12,000	12,000	9,548	2,452
Repairs and Maintenance			638	(638)
Other	30,000	112,500	45,631	66,869
Capital Outlay			1,795,757	(1,795,757)
Settlement Payments			10,907,742	(10,907,742)
TOTAL EXPENDITURES	<u>\$ 188,000</u>	<u>\$ 247,500</u>	<u>\$ 12,920,710</u>	<u>\$ (12,673,210)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (188,000)</u>	<u>\$ (141,904)</u>	<u>\$(12,691,664)</u>	<u>\$ (12,549,760)</u>
OTHER FINANCING SOURCES(USES)				
Developer Advances	<u>185,000</u>	<u>\$ 185,000</u>	<u>\$ 13,182,742</u>	<u>\$ 12,997,742</u>
NET CHANGE IN FUND BALANCE	\$ (3,000)	\$ 43,096	\$ 491,078	\$ 447,982
FUND BALANCE(DEFICIT) - MARCH 1, 2023	<u>(538,506)</u>	<u>(538,506)</u>	<u>(538,506)</u>	
FUND BALANCE(DEFICIT) - FEBRUARY 29, 2024	<u><u>\$ (541,506)</u></u>	<u><u>\$ (495,410)</u></u>	<u><u>\$ (47,428)</u></u>	<u><u>\$ 447,982</u></u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477

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

FEBRUARY 29, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 29, 2024

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

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

2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order approved August 25, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 25.00	10,000	N	\$ 1.50	10,001 to 15,000
				\$ 2.00	15,001 to 20,000
				\$ 2.50	20,001 to 25,000
				\$ 3.00	25,001 to 30,000
				\$ 3.50	30,001 and up
WASTEWATER:	\$ 50.00		Y		
SURCHARGE:					
Regional Water Authority Fees	\$ 4.35 per 1,000 gallons				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$25.00 Wastewater: \$50.00 Surcharge: \$43.50 Total: \$118.50

See accompanying independent auditor's report.

FOR THE YEAR ENDED FEBRUARY 29, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
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	*	*		
Total Wastewater Connections	*	*	x 1.0	

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

Gallons pumped into system: *

Water Accountability Ratio: *
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: *

* During the current fiscal year, the District had only eight builder account connections.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 29, 2024

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all X

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

Entirely X Partly Not at all

ETJ in which 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. 477
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2024

PROFESSIONAL FEES:	
Auditing	\$ 10,750
Engineering	38,711
Legal	<u>111,933</u>
TOTAL PROFESSIONAL FEES	<u>\$ 161,394</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 8,875
Operations and Billing	<u>673</u>
TOTAL CONTRACTED SERVICES	<u>\$ 9,548</u>
REPAIRS AND MAINTENANCE	<u>\$ 638</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 9,243
Insurance	3,024
Legal Notices	880
Office Supplies and Postage	1,677
Other	<u>9,539</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 24,363</u>
CAPITAL OUTLAY	<u>\$ 1,795,757</u>
TAP CONNECTIONS	<u>\$ 12,992</u>
SETTLEMENT PAYMENTS	<u>\$ 10,907,742</u>
OTHER EXPENDITURES:	
Chemicals	\$ 801
Permit Fees	1,772
Inspection Fees	<u>5,703</u>
TOTAL OTHER EXPENDITURES	<u>\$ 8,276</u>
TOTAL EXPENDITURES	<u><u>\$ 12,920,710</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 29, 2024

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
MARCH 1, 2023	\$ -0-	
Adjustments to Beginning		
Balance	<u> </u>	\$ -0-
Original 2023 Tax Levy	\$ 266	
Adjustment to 2023 Tax Levy	<u> 102,962</u>	<u> 103,228</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 103,228
TAX COLLECTIONS:		
Prior Years	\$ -0-	
Current Year	<u> 103,145</u>	<u> 103,145</u>
TAXES RECEIVABLE -		
FEBRUARY 29, 2024		<u><u> 83</u></u>
TAXES RECEIVABLE BY		
YEAR:		
2023		<u><u> 83</u></u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED FEBRUARY 29, 2024

	<u>2023</u>
PROPERTY VALUATIONS:	
Land	<u>\$ 6,881,899</u>
TAX RATES PER \$100	
VALUATION:	
Debt Service	\$ 0.00
Maintenance	<u> 1.50</u>
TOTAL TAX RATES PER	
\$100 VALUATION	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 103,228</u>
PERCENTAGE OF TAXES	
COLLECTED TO TAXES	
LEVIED	<u> 99.92 %</u>

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

Maintenance Tax – Maximum tax rate not to exceed \$1.50 per \$100 of assessed valuation approved by voters on May 1, 2021.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – THREE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 103,145	\$	\$
Water Service	3,849		
Wastewater Service	4,174		
Tap Connection and Inspection Fees	114,795		
Penalty and Interest	30		
Investment Revenues	2,588	146	
Miscellaneous Revenues	465		
TOTAL REVENUES	<u>\$ 229,046</u>	<u>\$ 146</u>	<u>\$ - 0 -</u>
EXPENDITURES			
Professional Fees	\$ 161,394	\$ 70,300	\$ 106,864
Contracted Services	9,548	9,050	10,150
Repairs and Maintenance	638		
Other	45,631	10,997	14,432
Capital Outlay	1,795,757	2,564,350	2,643,090
Settlement Payments	10,907,742		
TOTAL EXPENDITURES	<u>\$ 12,920,710</u>	<u>\$ 2,654,697</u>	<u>\$ 2,774,536</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (12,691,664)</u>	<u>\$ (2,654,551)</u>	<u>\$ (2,774,536)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 13,182,742</u>	<u>2,203,000</u>	<u>2,687,581</u>
NET CHANGE IN FUND BALANCE	<u>\$ 491,078</u>	<u>\$ (451,551)</u>	<u>\$ (86,955)</u>
BEGINNING FUND BALANCE	<u>(538,506)</u>	<u>(86,955)</u>	
ENDING FUND BALANCE(DEFICIT)	<u><u>\$ (47,428)</u></u>	<u><u>\$ (538,506)</u></u>	<u><u>\$ (86,955)</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<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>

See accompanying independent auditor's report.

Percentage of Total Revenues			
2024		2023	2022
45.1 %		%	%
1.7			
1.8			
50.1			
1.1		100.0	
0.2			
100.0 %		100.0 %	%
70.5 %		48,150.7 %	%
4.2		6,198.6	
0.3			
19.9		7,532.2	
784.0		1,756,404.1	
4,762.2			
5,641.1 %		1,818,285.6 %	%
(5,541.1) %		(1,818,185.6) %	N/A %

See accompanying independent auditor's report.

District Mailing Address - Harris County Municipal Utility District No. 477
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended February 29, 2024	Expense Reimbursements for the year ended February 29, 2024	Title
Danny Ware	05/2022 - 05/2026 (Elected)	\$ 2,510	\$ -0-	President
Cory Budinscak	05/2021 - 05/2024 (Elected)	\$ 1,776	\$ -0-	Vice President
Roel Huerta	05/2022 - 05/2026 (Elected)	\$ 1,626	\$ -0-	Secretary
Lyle Klingbeil	05/2021 - 05/2024 (Elected)	\$ 2,068	\$ -0-	Assistant Vice President
Mark Landreneau	11/2023 - 05/2024 (Appointed)	\$ 663	\$ -0-	Assistant Secretary

Submission date of most recent District Registration Form: November 21, 2023

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 477
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 29, 2024

Consultants:	Date Hired	Fees for the year ended February 29, 2024	Title
Allen Boone Humphries Robinson LLP	01/11/21	\$ 101,783	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/29/22	\$ 10,750	Auditor
Myrtle Cruz, Inc.	02/08/21	\$ 10,312	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	07/12/21	\$ -0-	Delinquent Tax Attorney
Post Oak Municipal Advisors LLC	02/08/21	\$ -0-	Financial Advisor
LJA Engineering, Inc.	01/11/21	\$ 164,135	Engineer
Tax Tech, Inc.	02/08/21	\$ 4,204	Tax Assessor/ Collector
Si Environmental, LLC	02/08/21	\$ -0-	Operator
Mary Jarmon	02/08/21	\$ -0-	Investment Officer
Hunton Andrews Kurth, LLP	03/21/22	\$1,599,151	Condemnation Counsel

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FEBRUARY 29, 2024

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 478
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Municipal Utility District No. 478 (the "District") as of and for the year ended February 29, 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 major fund of the District as of February 29, 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, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 23, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED FEBRUARY 29, 2024

Management's discussion and analysis of Harris County Municipal Utility District No. 478's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended February 29, 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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 the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for developer advances, operating costs and general expenditures.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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. A 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 \$141,571 as of February 29, 2024. This is the District’s first audit. In future years, a comparative analysis of government-wide changes in net position will be presented. The following table provides a summary of the Statement of Net Position for the year ended February 29, 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position
	<u>2024</u>
Current and Other Assets	\$ 69,672
Due to Developer	\$ 185,000
Other Liabilities	<u>26,243</u>
Total Liabilities	<u>\$ 211,243</u>
Net Position:	
Unrestricted	\$ (141,571)
Total Net Position	<u><u>\$ (141,571)</u></u>

The following table provides a summary analysis of the District's operations for the year ending February 29, 2024, which is the initial audit period for the District.

	Summary of the Statement of Activities
	<u>2024</u>
Total Revenues	\$ -0-
Expenses for Services	<u>141,571</u>
Change in Net Position	\$ (141,571)
Net Position, Beginning	<u>-0-</u>
Net Position, Ending	<u><u>\$ (141,571)</u></u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of February 29, 2024, was \$43,429.

CAPITAL ASSETS

The District currently has no completed capital assets.

LONG-TERM DEBT

As of February 29, 2024, the District recorded an amount due to Developer of \$185,000 which consists of advances made by the Developer during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. Actual revenues were \$-0- as budgeted, actual expenditures were \$36,929 less than budgeted expenditures and actual developer advances of \$185,000 were the same as budgeted. This resulted in a positive budget variance of \$36,929. See the budget to actual comparison for more information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 478, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 29, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 15,602	\$	\$ 15,602
Prepaid Costs	<u>54,070</u>	<u></u>	<u>54,070</u>
TOTAL ASSETS	<u>\$ 69,672</u>	<u>\$ -0-</u>	<u>\$ 69,672</u>
 LIABILITIES			
Accounts Payable	\$ 26,243	\$	\$ 26,243
Due to Developer	<u></u>	<u>185,000</u>	<u>185,000</u>
TOTAL LIABILITIES	<u>\$ 26,243</u>	<u>\$ 185,000</u>	<u>\$ 211,243</u>
 FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 54,070	\$ (54,070)	\$
Unassigned	<u>(10,641)</u>	<u>10,641</u>	<u></u>
TOTAL FUND BALANCE	<u>\$ 43,429</u>	<u>\$ (43,429)</u>	<u>\$ -0-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 69,672</u>		
 NET POSITION			
Unrestricted		<u>\$ (141,571)</u>	<u>\$ (141,571)</u>
TOTAL NET POSITION		<u><u>\$ (141,571)</u></u>	<u><u>\$ (141,571)</u></u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FEBRUARY 29, 2024

Total Fund Balance - Governmental Fund	\$ 43,429
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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	<u>(185,000)</u>
Total Net Position - Governmental Activities	<u>\$ (141,571)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2024

	General Fund	Adjustments	Statement of Activities
TOTAL REVENUES	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 99,662	\$	\$ 99,662
Contracted Services	14,275		14,275
Purchased Wastewater Service	3,500		3,500
Water Authority Assessments	4,772		4,772
Repairs and Maintenance	5,819		5,819
Other	<u>13,543</u>	<u></u>	<u>13,543</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 141,571</u>	<u>\$ - 0 -</u>	<u>\$ 141,571</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (141,571)</u>	<u>\$ - 0 -</u>	<u>\$ (141,571)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 185,000</u>	<u>\$ (185,000)</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 43,429	\$ (43,429)	\$
CHANGE IN NET POSITION		(141,571)	(141,571)
FUND BALANCE/NET POSITION - MARCH 1, 2023	<u></u>	<u></u>	<u></u>
FUND BALANCE/NET POSITION - FEBRUARY 29, 2024	<u>\$ 43,429</u>	<u>\$ (185,000)</u>	<u>\$ (141,571)</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2024**

Net Change in Fund Balance - Governmental Fund	\$ 43,429
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report developer advances 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.

(185,000)

Change in Net Position - Governmental Activities

\$ (141,571)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 478 (the “District”) was created effective June 19, 2009, pursuant to Chapter 508 (S.B. 1039), Acts of the 81st legislature, Regular Session 2009, codified as Chapter 8334 of the Texas Special District Local Laws Code. In accordance with the Texas Water Code, Chapters 49 and 54, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct, operate and maintain roads in accordance with H.B. 4686, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on February 2, 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 Texas Commission on Environmental Quality (the “Commission”).

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

Financial Statement Presentation

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

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

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- * Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- * Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it's 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 to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for developer advances, operating costs and general expenditures.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. 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 \$15,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Drainage System	20-45

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets 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. The District does not have any restricted fund balances.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. 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 \$15,602 and the bank balance was \$4,734. The District was not exposed to custodial credit risk.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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.

As of February 29, 2024, the District did not have any investments.

NOTE 4. BONDS VOTED

As of February 29, 2024, the District had authorized but unissued bonds in the amount of \$312,000,000 for the purchase or construction of water, sewer, and drainage facilities and the refunding of bonds issued for same, \$272,000,000 for the purchase or construction of parks and recreational facilities and the refunding of bonds issued for same, and \$220,000,000 for the purchase or construction of road facilities and the refunding of bonds for same.

NOTE 5. CAPITAL ASSETS

The District had no completed capital assets as of February 29, 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 6. MAINTENANCE TAX

On November 7, 2023, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended February 29, 2024, the District did not levy an ad valorem maintenance tax.

On November 7, 2023, the voters of the District approved the levy and collection of a road maintenance tax not the exceed \$0.25 per \$100 of assessed valuation to be used for constructing and maintaining the District's roads. As of February 29, 2024, the District has not levied a road maintenance tax.

NOTE 7. 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.

NOTE 8. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of \$185,000 for advances as of February 29, 2024. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs for advances:

Due to Developer, beginning of year	\$ - 0 -
Additions	<u>185,000</u>
Due to Developer, end of year	<u>\$ 185,000</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 9. WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the West Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 1842 (the “Act”), as passed by the seventy-seventh Texas Legislature, in 2001. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater and of groundwater reservoirs or their subdivisions, the control of subsidence caused by withdrawal of water from those groundwater reservoirs of their subdivision.

The Authority charges a fee which enables it to fulfill its purpose and regulatory functions. The current pumpage fee charged by the Authority is \$3.95 per 1,000 gallons of water pumped from each well. The District had only minimal builder connections during the current fiscal year and recorded fees of \$4,772 paid to the Authority.

NOTE 10. COST SHARING AGREEMENT

The District, Harris County Municipal Utility District No. 477 (“District No. 477”) and the respective Developers for each district have executed a Cost Sharing Agreement (“Agreement”) confirming the District as the Master District (“Master District”) of the combined development. District No. 477 is constructing certain water plants, detention ponds and culverts, clearing for the wastewater treatment plant and has obtained the offsite easements and is constructing the offsite drainage ditch on behalf of the Master District. Upon completion of certain Master District construction contracts, District No. 477 will deed those projects to the Master District for ultimate reimbursement, ownership and maintenance of those facilities. Each district will pay monthly operating charges to operate and maintain facilities as set forth in the Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Jubilee Facilities (see Note 13).

The District will provide internal water, sanitary sewer and drainage facilities, as well as road and park and recreational facilities to serve the land within its boundaries.

NOTE 11. CAPITAL LEASE – WASTEWATER TREATMENT PLANT

On February 19, 2024, the District entered into a lease agreement with AUC Group for a 150,000 GPD wastewater treatment plant. The initial term of this lease is 60 months. Monthly payments in the amount of \$27,035 are due for the 60-month term of the lease. Payments are due the first day of each month. The District has the option to purchase the wastewater treatment plant commencing on the 60th month, per a schedule in the lease agreement. As of the date of this report, the wastewater treatment plant is not in service. First and last month lease payments totaling \$54,070 have been recorded as a prepaid cost.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2024

NOTE 12. INTERIM WASTE DISPOSAL AGREEMENT

On March 22, 2024, the District and Harris County Municipal Utility District No. 434 (“District No. 434”) entered into an Agreement whereby District No. 434 has agreed to accept residential sanitary sewage for disposal from the District until the projected completion date of the District’s wastewater treatment plant. District No. 434 will accept not more than 80,000 gallons per day of residential sanitary sewage. The District’s operator will be responsible for keeping a record of the volume of sanitary sewage delivered to District No. 434 which will occur via tanker trucks. The District shall reimburse District No. 434 for all of its costs and expenses incurred in connection with this Agreement. In addition to this, the District is required to pay District No. 434 \$3,500 prior to delivery and sanitary sewage. This payment was made during the current fiscal year. Either party may terminate this Agreement upon written notification to the other.

NOTE 13. CONTRACT FOR FINANCING, OPERATION AND MAINTENANCE OF REGIONAL WATER, SANITARY SEWER, STORM SEWER, PARK, ROAD AND OTHER JUBILEE FACILITIES

Effective September 22, 2023, the District and District No. 477 entered into a Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Jubilee Facilities. The District has been designated as the Master District and has assumed responsibility of becoming the coordinating district to provide water supply and distribution services, sewage collection and treatment services, major trunk storm sewer drainage services, major collective detention services, regional park facilities, regional roads and other services and facilities permitted by law for the entire Jubilee development.

To complete acquisition and construction, the Master District is authorized to issue bonds in an amount not to exceed \$2,298,110,000 for water, sewer and drainage facilities, \$1,062,770,000 for road facilities and \$1,453,900,000 for park facilities.

The Contract specifies the calculation of connection charges to be computed to pay for the capital costs of constructing the Master District facilities, as well as the calculation of monthly operation and maintenance charges, reserve requirements and debt service requirements.

The District will also serve as a participant district and has entered into a separate agreement effective August 8, 2023 with the Master District that mirrors the Contract with District No. 477.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478

REQUIRED SUPPLEMENTARY INFORMATION

FEBRUARY 29, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
TOTAL REVENUES	\$ -0-	\$ -0-	\$ -0-
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 133,000	\$ 99,662	\$ 33,338
Contracted Services	10,000	14,275	(4,275)
Purchased Wastewater Service		3,500	(3,500)
Water Authority Assessments		4,772	(4,772)
Repairs and Maintenance		5,819	(5,819)
Other	35,500	13,543	21,957
TOTAL EXPENDITURES	\$ 178,500	\$ 141,571	\$ 36,929
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (178,500)	\$ (141,571)	\$ 36,929
OTHER FINANCING SOURCES(USES)			
Developer Advances	\$ 185,000	\$ 185,000	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 6,500	\$ 43,429	\$ 36,929
FUND BALANCE - MARCH 1, 2023	_____	_____	_____
FUND BALANCE - FEBRUARY 29, 2024	\$ 6,500	\$ 43,429	\$ 36,929

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478

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

FEBRUARY 29, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 29, 2024

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

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

2. RETAIL SERVICE PROVIDERS

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

No rate order has been adopted by the District as of February 29, 2024.

See accompanying independent auditor's report.

FOR THE YEAR ENDED FEBRUARY 29, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
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	*	*		
Total Wastewater Connections	*	*	x 1.0	

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

Gallons pumped into system: * Water Accountability Ratio:
(Gallons billed and sold/Gallons
pumped and purchased)

Gallons billed to customers: *

* During the current fiscal year, the District had no active connections.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
SERVICES AND RATES
FOR THE YEAR ENDED FEBRUARY 29, 2024

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all X

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

Entirely X Partly Not at all

ETJ in which 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. 478
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2024

PROFESSIONAL FEES:	
Engineering	\$ 23,501
Legal	<u>76,161</u>
TOTAL PROFESSIONAL FEES	<u>\$ 99,662</u>
PURCHASED WATER SERVICE	<u>\$ 3,500</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,975
Operations and Billing	<u>300</u>
TOTAL CONTRACTED SERVICES	<u>\$ 14,275</u>
REPAIRS AND MAINTENANCE	<u>\$ 5,819</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 8,014
Insurance	3,024
Office Supplies and Postage	1,470
Other	<u>1,035</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 13,543</u>
OTHER EXPENDITURES:	
Water Authority Assessments	<u>\$ 4,772</u>
TOTAL EXPENDITURES	<u><u>\$ 141,571</u></u>

See accompanying independent auditor's report.

District Mailing Address - Harris County Municipal Utility District No. 478
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Note: 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 developer or with any of the District's consultants.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by the Board effective June 18, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 478
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FEBRUARY 29, 2024

Consultants:	Date Hired	Fees for the year ended February 29, 2024	Title
Allen Boone Humphries Robinson LLP	02/02/21	\$ 76,161	General Counsel
McCall Gibson Swedlund Barfoot PLLC	02/23/24	\$ -0-	Auditor
Myrtle Cruz, Inc.	04/12/21	\$ 13,975	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	02/23/24	\$ -0-	Delinquent Tax Attorney
Post Oak Municipal Advisors LLC	04/12/21	\$ -0-	Financial Advisor
LJA Engineering, Inc.	02/02/21	\$ 23,501	Engineer
Tax Tech, Inc.	08/08/23	\$ -0-	Tax Assessor/ Collector
Si Environmental, LLC	08/08/23	\$ 6,119	Operator
Mary Jarmon	04/12/21	\$ -0-	Investment Officer

See accompanying independent auditor's report.

APPENDIX C

Financial Information Concerning 290 WR Holdings LP

290 WR Holdings, LP

Financial Report

December 31, 2023

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Financial Statements

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Independent Auditor's Report

To the Partners of
290 WR Holdings, LP
Harris County, Texas

Opinion

We have audited the financial statements of 290 WR Holdings, LP (the Partnership), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Partnership's ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, one year after the date that the financial statements are available to be issued).

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 opinion. 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 GAAS 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.

Weaver and Tidwell, L.L.P.
4400 Post Oak Parkway Suite 1100 | Houston, Texas 77027
Main: 713.850.8787

CPAs AND ADVISORS | WEAVER.COM

The Partners of
290 WR Holdings, LP

In performing an audit in accordance with GAAS, 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 Partnership'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 Partnership'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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 27, 2024

Financial Statements

290 WR Holdings, LP
Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 2,004,529	\$ 87,266
Municipal utility districts receivables	45,414,413	13,424,336
Real estate under development	<u>40,215,586</u>	<u>40,027,703</u>
TOTAL ASSETS	<u>\$ 87,634,528</u>	<u>\$ 53,539,305</u>
LIABILITIES AND PARTNERS' CAPITAL		
Accounts payable	\$ 1,199,866	\$ 2,726,097
Accounts payable - related party	589,047	529,198
Related party note payable	7,427,185	-
Loan payable, net	<u>30,423,996</u>	<u>14,993,125</u>
Total liabilities	39,640,094	18,248,420
PARTNERS' CAPITAL	<u>47,994,434</u>	<u>35,290,885</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$ 87,634,528</u>	<u>\$ 53,539,305</u>

The Notes to Financial Statements are an integral part of these statements.

290 WR Holdings, LP
Statements of Operations
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE	\$ 15,623,200	\$ -
OPERATING EXPENSES		
Cost of sales	5,218,169	-
General and administration	132,558	10,643
Marketing and promotion	513,681	6,967
Professional fees	55,600	37,842
Total operating expenses	<u>5,920,008</u>	<u>55,452</u>
Operating income	9,703,192	(55,452)
OTHER INCOME	<u>19,800</u>	<u>100</u>
NET INCOME (LOSS)	<u>\$ 9,722,992</u>	<u>\$ (55,352)</u>

The Notes to Financial Statements are an integral part of these statements.

290 WR Holdings, LP

Statements of Changes in Partners' Capital For the Years Ended December 31, 2023 and 2022

	<u>Johnson WR Investors, LLC</u>	<u>State of Texas, GLO</u>	<u>Total</u>
BALANCE, January 1, 2022	\$ 1,493,503	\$ 33,852,734	\$ 35,346,237
Net loss	<u>(2,339)</u>	<u>(53,013)</u>	<u>(55,352)</u>
BALANCE, December 31, 2022	1,491,164	33,799,721	35,290,885
Contributions	125,929	2,854,628	2,980,557
Net income	<u>410,798</u>	<u>9,312,194</u>	<u>9,722,992</u>
BALANCE, December 31, 2023	<u><u>\$ 2,027,891</u></u>	<u><u>\$ 45,966,543</u></u>	<u><u>\$ 47,994,434</u></u>

The Notes to Financial Statements are an integral part of these statements.

290 WR Holdings, LP
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 9,722,992	\$ (55,352)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Changes in operating assets and liabilities		
Municipal utility districts receivables	(31,990,077)	(6,533,671)
Real estate under development	2,718,942	(990,520)
Accounts payable	(1,526,231)	2,522,664
Accounts payable - related party	59,849	4,198
	<u>(21,014,525)</u>	<u>(5,052,681)</u>
Net cash used in operating activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	26,190,392	4,877,945
Repayments of loan payable	(13,666,346)	-
Proceeds from related party note	7,427,185	-
Contributions from partners	2,980,557	-
	<u>22,931,788</u>	<u>4,877,945</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents	1,917,263	(174,736)
CASH AND CASH EQUIVALENTS, beginning of year	<u>87,266</u>	<u>262,002</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,004,529</u>	<u>\$ 87,266</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Interest paid-in-kind and capitalized during the year	<u>\$ 2,674,657</u>	<u>\$ 598,302</u>
Amortization of deferred financing costs capitalized during the year	<u>\$ 232,168</u>	<u>\$ 232,168</u>

The Notes to Financial Statements are an integral part of these statements.

290 WR Holdings, LP

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Description of Business

290 WR Holdings, LP (the Partnership) was formed on May 17, 2017, for the purpose of acquiring, improving and selling real estate located in the County of Harris, Texas. It is a limited partnership with partnership interests including Johnson GP 1358, LLC, the General Partner, Johnson WR Investors, LLC, the Operating Limited Partner (40% interest), and the State of Texas, by and through the School Land Board for the use and benefit of the Permanent School Fund, a Limited Partner (60% interest) (collectively, the Partners). The Partnership terminates May 17, 2027, unless terminated earlier in accordance with the terms of the Agreement of Limited Partnership (ALP). Pursuant to the ALP, the Partners made capital contributions in the form of land and cash on May 17, 2017, of \$34,000,000 from the State of Texas and \$1,500,000 from Johnson WR Investors, LLC to fulfill their capital commitments.

Distributions to the Partners from sale proceeds will be as follows:

- First, to fund the contingency reserve account, but only to the extent of any unfunded portion thereof;
- Second, to each limited partner in proportion to the balance of their respective contribution account for initial contributions until each limited partner's unpaid annual preferred return of 10% has been reduced to zero and each limited partner's contribution accounts for initial contributions have been reduced to zero;
- Third, to each limited partner in proportion to the balance of their respective contribution account for additional contributions until their respective contribution account for additional contributions is reduced to zero;
- Fourth, 80% to the limited partners in accordance with respective contribution account and 20% to the Operating Limited Partner until each limited partner has received cumulative distributions from the Partnership equal to an internal rate of return of 18% on its initial capital contributions to the Partnership; and
- Fifth, to 60% to the limited partners in accordance with respective contribution account and 40% to the operating limited partner in accordance with their respective interests.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Partnership considers all highly liquid investments with an initial maturity of less than three months when purchased to be cash equivalents.

Real Estate under Development

Real estate under development consists of land purchased and capitalized construction costs for the development of properties. Capitalized costs include land costs, development and construction costs, interest, real estate taxes and certain general and administrative costs.

290 WR Holdings, LP

Notes to Financial Statements

Real estate assets consists of the following at December 31:

	2023	2022
Land contributed by partners	\$ 34,000,000	\$ 34,000,000
Development costs	11,135,022	6,027,703
Costs attributable to sold lots	<u>(4,919,436)</u>	<u>-</u>
Total real estate under development	<u>\$ 40,215,586</u>	<u>\$ 40,027,703</u>

Deferred Financing Costs

Certain direct costs incurred in connection with debt financing have been capitalized and amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the related debt. Any related unamortized deferred financing costs will be fully amortized to interest expense in the period the debt is retired.

Deferred financing costs related to a recognized debt liability are presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accumulated amortization of deferred financing costs totaled \$541,726 and \$309,557 at December 31, 2023 and 2022, respectively. Total unamortized deferred financing costs totaled \$154,779 and \$386,948 as of December 31, 2023 and 2022, respectively.

Amortization expense of deferred financing costs for the years ended December 31, 2023 and 2022 totaled \$232,169 and \$232,169, all of which has been capitalized into real estate under development.

Cost of Sales

Land and other common costs are typically allocated to each land parcel that is benefited based upon the relative sales value of the parcel before development when practicable or by relative acreage of each land parcel. Development costs are typically allocated to individual residential or commercial lots based on the relative sales value of the lot. Cost of sales includes applicable land and lot acquisitions, land development and related costs (both incurred and estimated to be incurred) allocated to each lot in the project. Any changes to estimated total development costs in a subsequent period are generally allocated to the remaining lots. During the year ended 2023, the Partnership sold real estate under development for a total sales price of \$15,623,200, with an attributed cost basis of \$4,919,436.

At the time of closing, the Partnership incurs additional costs, including management fees, closing costs, and commissions. Such costs totaled \$298,733 for the year ended December 31, 2023 and are included in costs of sales in the statements of operations. The Partnership did not sell any real estate under development for the year ended December 31, 2022.

290 WR Holdings, LP

Notes to Financial Statements

Revenue Recognition

Real estate revenue and related profit are generally recognized at the time of the closing of a sale, when title to and possession of the property are transferred to the buyer. For the sale of residential lots, the transaction price is based upon a percentage of the final home sale price to the end consumer. At the time of closing, the amount is estimated. When the home is sold, the final transaction price is determined, and the difference is recorded as revenue. The Partnership's performance obligation, to deliver the agreed-upon land or lots, is generally satisfied at closing. However, there may be instances in which the Partnership has an unsatisfied performance obligation at the time of closing. In these instances, the Partnership records contract liabilities and recognizes these revenues over time as the performance obligations are satisfied. The Partnership did not record any contract assets or contract liabilities at the beginning or end of the reporting period.

Income Taxes

The Partnership is a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's Federal tax status as a pass-through entity is based on its legal status as a Limited Partnership. Accordingly, the owners are not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service (IRS) and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the IRS for a period of three years.

Under the centralized partnership audit rules, the IRS may assess and collect underpayments of tax from the LP instead of from the partners. The LP may be able to pass the adjustments through to the partners by making a push-out election or, if eligible, by electing out of the centralized partnership audit rules.

The collection of tax from the Partnership is only an administrative convenience for the IRS to collect any underpayment of income taxes including interest and penalties. Income taxes on LP income, regardless of who pays the tax or when the tax is paid, is attributed to the partners. Any payment made by the Partnership as a result of an IRS examination will be treated as a distribution from the Partnership to the Partners in the financial statements.

Recently Adopted Accounting Pronouncements

Effective January 1, 2023, the Company adopted Accounting Standards Update No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasts, to develop credit loss estimates. In accordance with ASU 2016-13, the Partnership estimates expected credit losses on its accounts receivable at each reporting date, which may result in earlier recognition of credit losses than under previous GAAP. These estimates are based on historical data, current and future economic and market conditions to determine expected collectability. The adoption of ASU 2016-13 did not result in a material impact to the Partnership's financial position, cash flows or results of operations.

290 WR Holdings, LP

Notes to Financial Statements

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Note 2. Receivable – Municipal Utility Districts

The Partnership provides development funding to Harris County Municipal Utility District #477 and Harris County Municipal Utility District #478 (collectively, the MUDs). As of December 31, 2023 and 2022, the Partnership recorded receivables for funding provided to the MUDs totaling \$45,414,413 and \$13,424,366, respectively. The MUDs will reimburse the Partnership upon sale of tax exempt bonds. Management believes the balance is collectible and no allowance for credit losses has been recorded in the accompanying balance sheets at December 31, 2023 or 2022.

Note 3. Loan Payable, net

On September 2, 2021, the Partnership entered into a development loan agreement with Flagstar Bank (the Flagstar Loan), which gives the Partnership the ability to borrow up to \$45,000,000. Borrowings under the Flagstar Loan may be made through September 2, 2023 (the Term-Out Date) and bear interest at the greater of Wall Street Journal Prime Rate plus 0.75% or 4% and are secured by the Partnership's real estate assets. The interest is calculated monthly and paid-in-kind. The interest rate in effect at December 31, 2023 and 2022 was 9.25% and 7.75%, respectively. The Flagstar Loan will mature on September 2, 2024 (the Maturity Date). Provided no event of default exists, the Partnership may exercise the extension option, which extends the Term-Out Date and Maturity Date by twelve months. The agreement requires certain principal reduction payments according to a curtailment schedule included in the agreement. The agreement also requires four principal reduction payments each equal to 25% of the outstanding principal balance of the loan as of the Term-Out Date on November 30, 2023; February 28, 2024; May 31, 2024; and September 2, 2024.

Loan payable, net consisted of the following at December 31, 2023 and 2022:

	2023	2022
Loan principal	\$ 30,578,775	\$ 15,380,073
Less: unamortized deferred financing costs	<u>(154,779)</u>	<u>(386,948)</u>
Loan payable, net	<u>\$ 30,423,996</u>	<u>\$ 14,993,125</u>

Interest paid-in-kind for all loans are capitalized in land and land improvements in the balance sheets which totaled \$2,674,657 and \$598,302 for the years ended December 31, 2023 and 2022, respectively.

Subsequent to the balance sheet date, in February 2024, the Partnership made a payment on the Flagstar Loan, in the amount of \$5,232,363.

290 WR Holdings, LP

Notes to Financial Statements

Note 4. Related Parties

The Partnership has a development agreement with an affiliated entity, Johnson WR Management LLC, to perform certain development services including evaluation, design, construction, development, financing and planning services related to the Partnership's real estate. Development fees are due monthly in the amount of \$25,000 and a management fee is calculated based on 2% of the gross proceeds from the sale of residential or commercial tracts due upon funding of each sale. The Partnership will also pay brokerage fees for commercial sales and a one percent fee for all MUD payments and reimbursements. The Partnership also uses personnel employed by the Johnson Companies, Ltd and in turn, reimburses them for a portion of payroll, marketing, and other general administrative costs. Management fee costs associated with the development of real estate, which are capitalized and recorded in real estate under development in the accompanying balance sheets, totaled \$1,042,920 and \$800,598 for the years ended December 31, 2023 and 2022, respectively. Management and commission fees corresponding to the sale of real estate, which are recorded in cost of sales in the accompanying statements of operations, were \$296,840 and \$0 for the years ended December 31, 2023 and 2022, respectively. General and administrative costs incurred with related parties, which are recorded in general and administrative expenses in the accompanying statements of operations totaled \$230,138 and \$5,236 for the years ended December 31, 2023 and 2022, respectively. The Partnership has accounts payable due to related parties of \$589,047 and \$529,198 as of December 31, 2023 and 2022 respectively.

During the year ended December 31, 2023, the Partnership, under the provisions of the ALP, borrowed \$7,427,185 from Johnson WR Investors, LLC, bearing interest at the greater of 10.00% or the Wall Street Journal Prime Rate plus 2.00%. As of December 31, 2023, the interest rate in effect was 10.50%. The borrowing was paid in full, plus interest, in February 2024.

Note 5. Subsequent Events

The Company evaluated all events or transactions that occurred after December 31, 2023 and through March 27, 2024, the date the financial statements were available to be issued. During this period, there were no material recognizable subsequent events, other than previously disclosed.