

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432
(Harris County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT
DATED: JULY 15, 2025**

**\$2,485,000
UNLIMITED TAX BONDS
SERIES 2025**

**UTILITY BIDS TO BE SUBMITTED: 10:00 A.M., CENTRAL TIME
TUESDAY, AUGUST 19, 2025**

**\$2,185,000
UNLIMITED TAX PARK BONDS
SERIES 2025**

**PARK BIDS TO BE SUBMITTED: 10:00 A.M., CENTRAL TIME
TUESDAY, AUGUST 19, 2025**

**BIDS TO BE AWARDED: 12:00 P.M. CENTRAL TIME
TUESDAY, AUGUST 19, 2025**



Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED JULY 15, 2025

This Preliminary Official Statement is subject to completion and amendment and is intended for the solicitation of initial bids to purchase the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchasers.

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE DISTRICT AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER “TAX MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds are designated as “qualified tax-exempt obligations” for financial institutions.

NEW ISSUE – Book Entry Only

Underlying Rating: Moody’s “Baa1”
See “MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE.”

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

(A Political Subdivision of the State of Texas Located in Harris County)

\$2,485,000

**Unlimited Tax Bonds
Series 2025**

\$2,185,000

**Unlimited Tax Park Bonds
Series 2025**

Dated Date: September 1, 2025

Interest Accrues: Delivery Date

Due: March 1, as shown on inside cover

The \$2,485,000 Unlimited Tax Bonds, Series 2025 (the “Utility Bonds”), and the \$2,185,000 Unlimited Tax Park Bonds, Series 2025 (the “Park Bonds,” and together with the Utility Bonds, the “Bonds”), are obligations solely of Harris County Municipal Utility District No. 432 (the “District”) and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas (the “City”); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to 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 Bank of New York Mellon Trust Company, N.A., or any successor paying agent/registrar (the “Paying Agent/Registrar”) directly to DTC, which, in turn, will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the “Bondholder(s)”) at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (expected to be September 23, 2025) (the “Delivery Date”), and is payable on March 1, 2026, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th calendar day of the month next preceding each interest payment date. Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on inside cover.

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special investment considerations as described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District and accepted by the Initial Purchasers, subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. The Bonds, through the facilities of DTC, are expected to be available for delivery on or about September 23, 2025. See “LEGAL MATTERS.”

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

\$ 2,485,000

Unlimited Tax Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2026	\$ 60,000	%	%		2038	\$ 100,000 (c)	%	%	
2027	60,000				2039	105,000 (c)			
2028	60,000				2040	110,000 (c)			
2029	65,000				2041	115,000 (c)			
2030	65,000				2042	120,000 (c)			
2031	70,000 (c)				2043	130,000 (c)			
2032	75,000 (c)				2044	135,000 (c)			
2033	80,000 (c)				2045	140,000 (c)			
2034	80,000 (c)				2046	150,000 (c)			
2035	85,000 (c)				2047	155,000 (c)			
2036	90,000 (c)				2048	165,000 (c)			
2037	95,000 (c)				2049	175,000 (c)			

\$ 2,185,000

Unlimited Tax Park Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2026	\$ 55,000	%	%		2038	\$ 90,000 (c)	%	%	
2027	50,000				2039	95,000 (c)			
2028	55,000				2040	95,000 (c)			
2029	55,000				2041	100,000 (c)			
2030	60,000				2042	105,000 (c)			
2031	60,000 (c)				2043	115,000 (c)			
2032	65,000 (c)				2044	120,000 (c)			
2033	70,000 (c)				2045	125,000 (c)			
2034	70,000 (c)				2046	130,000 (c)			
2035	75,000 (c)				2047	135,000 (c)			
2036	80,000 (c)				2048	145,000 (c)			
2037	85,000 (c)				2049	150,000 (c)			

- (a) The initial reoffering yield has been provided by the Initial Purchasers (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on March 1, 2031, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on March 1, 2030, or 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."

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District 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 information permitted by SEC 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 SEC 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 representations must not be relied upon as having been authorized by the District or the Initial Purchasers.

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. 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. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchasers and thereafter only as specified in "SOURCES OF INFORMATION—Updating of Official Statement."

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 432 (the "District") of its \$2,485,000 Unlimited Tax Bonds, Series 2025 (the "Utility Bonds"), and the \$2,185,000 Unlimited Tax Park Bonds, Series 2025 (the "Park Bonds," and together with the Utility Bonds, the "Bonds").

The Utility Bonds are issued pursuant to an order authorizing the issuance of the Utility Bonds (the "Utility Bond Order") adopted by the District's Board of Directors (the "Board"), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

The Park Bonds are issued pursuant to an order authorizing the issuance of the Park Bonds adopted by the Board (the "Park Bond Order," and together with the Utility Bond Order, the "Bond Orders"), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the TCEQ, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Orders, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive, and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

After requesting competitive bids for the Utility Bonds, the District has accepted the bid of _____ (the "Utility Bond Initial Purchaser") to purchase the Utility Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of _____% of par, resulting in a net effective interest rate to the District of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Utility Bonds after their sale by the District to the Utility Bond Initial Purchaser. The District has no control over the price at which the Utility Bonds are subsequently sold, and the initial yields at which the Utility Bonds are priced and reoffered are established by and are the sole responsibility of the Utility Bond Initial Purchaser.

After requesting competitive bids for the Park Bonds, the District has accepted the bid of _____ (the "Park Bond Initial Purchaser," and together with the Utility Bond Initial Purchaser, the "Initial Purchasers") to purchase the Park Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of _____% of par, resulting in a net effective interest rate to the District of _____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Park Bonds after their sale by the District to the Park Bond Initial Purchaser. The District has no control over the price at which the Park Bonds are subsequently sold, and the initial yields at which the Park Bonds are priced and reoffered are established by and are the sole responsibility of the Park Bond Initial Purchaser.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchasers on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bondhouse, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchasers regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchasers.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchasers 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 THIS OFFERING, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa1” to the Bonds. An explanation of the rating may be obtained from Moody’s. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchasers.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody’s, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of each of the Initial Purchasers and at the respective Initial Purchaser’s expense. The rating fees of Moody’s will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the respective Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Bond Insurance Risk Factors.”

OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein.

THE BONDS

<i>The Issuer</i>	Harris County Municipal Utility District No. 432 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
<i>The Bonds</i>	The District's \$2,485,000 Unlimited Tax Bonds, Series 2025 (the "Utility Bonds"), and the \$2,185,000 Unlimited Tax Park Bonds, Series 2025 (the "Park Bonds," and together with the Utility Bonds, the "Bonds"), are dated September 1, 2025. Interest accrues from the Delivery Date, at the rates set forth on the inside cover page hereof, and is payable March 1, 2026, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
<i>Redemption</i>	Bonds maturing on and after March 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on March 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS—Redemption Provisions."
<i>Book-Entry-Only System</i>	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), in accordance with the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS—Book-Entry-Only System."
<i>Source of Payment</i>	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas (the "City"); or any entity other than the District. See "THE BONDS—Source of Payment."
<i>Qualified Tax-Exempt Obligations</i>	The Bonds are designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

<i>Payment Record</i>	The District has previously issued thirteen (13) series of unlimited tax bonds for the purpose of acquiring, constructing, or improving a waterworks, sanitary sewer and drainage system (the “System”) to serve the District, two (2) series of unlimited tax bonds for the purposes of purchasing and constructing parks and recreational facilities to serve the District (the “Parks System”), and one (1) series of unlimited tax refunding bonds to refund existing outstanding bonds, of which \$63,235,000 principal amount remains outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness. See “THE BONDS—Outstanding Bonds.”
<i>Use of Proceeds of the Utility Bonds</i>	A portion of the proceeds from the sale of the Utility Bonds will be used to reimburse Woodmere (hereinafter defined) for a portion of the construction costs related to the items listed herein under “USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS” (the “Utility Improvements”), and to pay for the Utility Improvements that have not yet been constructed. The remaining proceeds from the sale of the Utility Bonds will be used to pay for issuance costs and developer interest. See “USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS.”
<i>Use of Proceeds of the Park Bonds</i>	A portion of the proceeds from the sale of the Park Bonds will be used to reimburse Woodmere and Katy 76 (hereinafter defined) for a portion of the construction costs related to the items listed herein under “USE AND DISTRIBUTION OF PARK BOND PROCEEDS” (the “Park Improvements”), and to pay for the Park Improvements that have not yet been constructed. The remaining proceeds from the sale of the Park Bonds will be used to pay issuance costs and developer interest. See “USE AND DISTRIBUTION OF PARK BOND PROCEEDS.”
<i>Municipal Bond Rating and Municipal Bond Insurance</i>	An application has been made for a commitment for municipal bond insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by rating companies, other than Moody’s Investors Service, Inc. (“Moody’s”), will be at the option and expense of the respective Initial Purchaser. Moody’s has assigned an underlying credit rating of “Baa1” to the Bonds. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Legal Opinion</i>	Young & Brooks, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
<i>Financial Advisor</i>	Robert W. Baird & Co. Incorporated, Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton, LLP, Houston, Texas.
<i>Paying Agent/Registrar</i>	The Bank of New York Mellon Trust Company, N.A.

THE DISTRICT

Description..... The District, a political subdivision of the State of Texas, is located wholly within Harris County, Texas approximately 25 miles west of the City of Houston (the “City”), central business district. The District consists of two noncontiguous tracts of land that total approximately 613 acres. The District lies wholly within the extraterritorial jurisdiction of the City and wholly within the boundaries of the Katy Independent School District. See “THE DISTRICT—General” and “—Description.”

Authority..... The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT—General.”

The Developers..... The largest current developer of land located within the District is Woodmere Development Company Ltd., a Texas Limited Partnership whose general partner is Woodmere GP, LLC (“Woodmere”). BGM Land Investments, Ltd, a Texas Limited Partnership (“BGM”) whose general partner is G.P. Landvest, LLC is a company related to Woodmere that purchases and holds the land to be developed by Woodmere. Long Lake, Ltd., a Texas Limited Partnership (“Long Lake”), a company related to Woodmere, oversees the sales and construction of homes within the District. Woodmere, BGM, and Long Lake, as well as the builders, Pride Builders and Postwood Homes, are all under common management and ownership (collectively, the “Related Entities”). The Related Entities have developed 1,590 lots on approximately 323.7 acres within the District and continue to own approximately 38.25 acres of undeveloped but developable land within the District. It is anticipated that such currently undeveloped but developable acreage will be developed in the future for single-family residential use as future Morton Creek Ranch development sections. See “STATUS OF DEVELOPMENT” and “TAX DATA—Principal Taxpayers.”

The Related Entities are actively developing and building homes in 35 communities (including the District) and also function as a homebuilder in an additional 7 communities in the general Houston metropolitan area.

Katy 76 Development Partners LP, a Delaware limited partnership (“Katy 76”), whose general partner is Katy 76 GP Inc., an Ontario corporation, has developed 301 lots on approximately 57.09 acres within the District as the single-family residential subdivision of Katy Trails.

Woodmere and Katy 76 are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

Status of Development..... Land within the District has been developed as the single-family subdivision of Morton Creek Ranch, Section 1; Section 2, Phases 1 and 2, Section 3, Phases 1 and 2; and Section 4-15, 17-29 and 30 (aggregating approximately 323.7 acres and 1,590 single-family lots) and Katy Trails, Sections 1, 2 and 3 have been developed as 301 single-family lots on approximately 57.09 acres. Additionally, approximately 18.27 institutional acres comprise of an elementary school on approximately 14.42 acres and approximately 3.85 acres have been developed as a recreational center within the District. In addition, approximately 11.73 commercial acres consist of two convenient stores, One Checkout gas station, and One QuickTrip gas station. As of July 1, 2025, the District consisted of 1,815 completed homes (approximately 1,781 of which are occupied), 9 homes under construction, and 67 vacant developed lots. The remainder of the District consists of approximately 38.25 undeveloped but developable acres, and approximately 163.97 undevelopable acres. See "STATUS OF DEVELOPMENT."

Homebuilders Within the District..... Homebuilding within the District began in 2009. Long Lake is actively building homes in the District under the names of Pride Builders, Lake Ridge Builders, Postwood Homes, Lakewood Homes, and Briarwood Homes. Pride Builders is building homes in the District ranging in price from approximately \$289,990 to approximately \$350,990 and in square footage from approximately 1,378 to approximately 3,103. Lake Ridge Builders is building homes in the District ranging in price from approximately \$297,990 to approximately \$363,990 and in square footage from approximately 1,416 to approximately 3,129. Postwood Homes is building homes in the District ranging in price from approximately \$339,990 to approximately \$432,990 and in square footage from approximately 1,937 to approximately 4,042. Lakewood Homes is building homes in the District ranging in price from approximately \$359,990 to approximately \$401,990 and in square footage from approximately 2,046 to approximately 2,848. Briarwood Homes is building homes in the District ranging in price from approximately \$379,990 to approximately \$469,990 and in square footage from approximately 2,076 to approximately 4,035.

Also, according to the Developers, homebuilding is complete within the Katy Trails subdivision. The homes constructed range in price from \$210,000 to \$350,000 and in square footage from 2,000 to 4,000. See "THE DEVELOPERS" and "STATUS OF DEVELOPMENT—Homebuilders Within the District."

INVESTMENT CONSIDERATIONS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2024 Certified Taxable Assessed Valuation.....	\$ 602,944,164	(a)
Estimated Taxable Assessed Valuation as of November 15, 2024.....	\$ 626,355,297	(b)
Direct Debt:		
The Outstanding Bonds (as of July 1, 2025)	\$ 63,235,000	(c)
The Utility Bonds	2,485,000	
The Park Bonds	2,185,000	
Total.....	\$ 67,905,000	
Estimated Overlapping Debt.....	27,983,211	(d)
Total Direct and Estimated Overlapping Debt	\$ 95,302,480	
Direct Debt Ratios:		
As a percentage of the 2024 Certified Taxable Assessed Valuation	11.26	%
As a percentage of the Estimated Taxable Assessed Valuation as of November 15, 2024	10.84	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2024 Certified Taxable Assessed Valuation	15.90	%
As a percentage of the Estimated Taxable Assessed Valuation as of November 15, 2024	15.31	%
Debt Service Fund Balance (as of July 15, 2025).....	\$ 4,330,764	(e)
General Fund Balance (as of July 15, 2025).....	\$ 6,213,600	
Capital Projects Fund (as of July 15, 2025).....	\$ 9,733,280	
2024 Tax Rate per \$100 of Taxable Assessed Valuation:		
Debt Service	\$0.795	
Maintenance	0.335	
Total.....	\$1.130	
Estimated Average Annual Debt Service Requirement (2026-2049).....	\$3,987,165	(f)
Estimated Maximum Annual Debt Service Requirement (2038)	\$4,783,733	(f)
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement (2026-2049) 95% Tax Collections		
Based on the 2024 Certified Taxable Assessed Valuation.....	\$0.70	(g)
Based on the Estimated Taxable Assessed Valuation as of November 15, 2024	\$0.68	(g)
Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement (2038) at 95% Tax Collections		
Based on the 2024 Certified Taxable Assessed Valuation.....	\$0.84	(g)
Based on the Estimated Taxable Assessed Valuation as of November 15, 2024	\$0.81	(g)
Number of Single-Family Homes.....	1,815	(h)
Estimated 2025 District Population	6,234	(i)

- (a) As certified by the Harris Central Appraisal District (the "Appraisal District") as of January 1, 2024. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on November 15, 2024. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) See "THE BONDS—Outstanding Bonds."
- (d) See "DISTRICT DEBT—Estimated Overlapping Debt."
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in the debt service fund.
- (f) Debt service on the Bonds is estimated at an estimated interest rate of 4.75%. See "DISTRICT DEBT—Debt Service Requirements."
- (g) See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."
- (h) Approximately 1,781 homes were occupied as of July 1, 2025.
- (i) Based upon 3.5 residents per occupied single-family home.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

\$2,485,000
Unlimited Tax Bonds
Series 2025

\$2,185,000
Unlimited Tax Park Bonds
Series 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 432 (the “District”) of its \$2,485,000 Unlimited Tax Bonds, Series 2025 (the “Utility Bonds”), and the \$2,185,000 Unlimited Tax Park Bonds, Series 2025 (the “Park Bonds,” and together with the Utility Bonds, the “Bonds”).

The Utility Bonds are issued pursuant to an order authorizing the issuance of the Utility Bonds (the “Utility Bond Order”) adopted by the District’s Board of Directors (the “Board”), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the Texas Commission on Environmental Quality (the “TCEQ”), an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

The Park Bonds are issued pursuant to an order authorizing the issuance of the Park Bonds adopted by the Board (the “Park Bond Order,” and together with the Utility Bond Order, the “Bond Orders”), Chapters 49 and 54, Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an order of the TCEQ, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Orders, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders adopted by the Board on the date of the sale of the Bonds. A copy of the Bond Orders may be obtained from the District upon request to Bond Counsel. The Bond Orders 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 are dated September 1, 2025, with interest accruing from the initial date of delivery (expected to be September 23, 2025) (the “Delivery Date”), and payable March 1, 2026, and each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds mature on March 1 in each of the years shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company ("DTC") while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, 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 an S&P rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. 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 purchase of each Security ("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 the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but it takes no responsibility for the accuracy thereof.

Successor Paying Agent/Registrar

Provision is made in the Bond Orders for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption Provisions

The Bonds maturing on and after March 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 March 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give notice of any redemption, not less than thirty (30) days prior to the redemption date in the manner specified in the Bond Orders, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as herein above stated.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same series and maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of fewer than all of the Bonds, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District; if fewer than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

Purpose	Amount Authorized	Issued to Date	The Bonds	Remaining Unissued
Utility & Refunding	\$ 120,000,000	\$ 71,275,000	\$ 2,485,000	\$ 46,240,000
Parks & Refunding	10,000,000	4,510,000	2,185,000	3,305,000
	<u>\$130,000,000</u>	<u>\$75,785,000</u>	<u>\$4,670,000</u>	<u>\$49,545,000</u>

The Bonds are issued pursuant to (i) the Utility Bond Order and Park Bond Order, (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, (iii) an order of the TCEQ, and (iv) an election held within the District on September 10, 2005.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related 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.

Outstanding Bonds

The District has previously issued thirteen (13) series of unlimited tax bonds for the purpose of acquiring, constructing, or improving a waterworks, sanitary sewer and drainage system (the "System") to serve the District, two (2) series of unlimited tax bonds for the purposes of purchasing and constructing parks and recreational facilities to serve the District (the "Parks System"), and one (1) series of unlimited tax refunding bonds to refund existing outstanding bonds, of which \$63,235,000 principal amount collectively remains outstanding (the "Outstanding Bonds") as of the date hereof.

Series	Original Principal Amount	Outstanding Bonds
2014	\$ 2,100,000	\$ 1,495,000
2015	3,075,000	2,230,000
2016	6,115,000	4,465,000
2017	6,350,000	4,620,000
2018	6,785,000	5,510,000
2019	5,395,000	4,695,000
2019 (a)	2,920,000	2,230,000
2020	6,630,000	5,845,000
2021	3,365,000	2,990,000
2021A (b)	2,045,000	1,815,000
2022	7,925,000	7,305,000
2023	14,470,000	13,915,000
2024	3,785,000	3,705,000
2024 (b)	<u>2,465,000</u>	<u>2,415,000</u>
Total	\$ 73,425,000	\$ 63,235,000

(a) Unlimited tax refunding bonds.

(b) Unlimited tax park bonds.

Source of Payment

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

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

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City. The District may be annexed and dissolved by the City only if (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% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District that specifies the procedures for full purpose annexation of all or a portion of the District. If the District is annexed, the City must assume the assets, functions and obligations of the District, including the Bonds, and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

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

Strategic Partnership Agreement with City of Houston

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. The City has negotiated and entered into strategic partnership agreement with several other districts in its extraterritorial jurisdiction. No representation can be made regarding the future likelihood of a strategic partnership agreement or the terms thereof.

Defeasance

The Bond Orders provide 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 noncallable 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 which 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. Because the Bond Orders do not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Issuance of Additional Debt

Following the issuance of the Bonds, the District will have \$46,240,000 principal amount remaining in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing water, sanitary sewer and drainage facilities, and to refund bonds issued for such purposes, and \$3,305,000 in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing parks and recreational facilities, and to refund bonds issued for such purposes. The District reserves in the Bond Orders the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. After the issuance of the Bonds, the District will have fulfilled its obligation to the Developers. The issuance of additional bonds, except refunding bonds, is also subject to the TCEQ authorization.

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Orders impose no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds.

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

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The principal amount of park bonds issued by the District may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. At an election held within the District on September 10, 2005, voters in the District approved \$10,000,000 principal amount of park bonds, of which, \$3,305,000 principal amount will remain authorized and unissued after the issuance of the Park Bonds. The issuance of park bonds is subject to approval by the TCEQ.

Amendments to the Bond Orders

The District may, without the consent of or notice to any Registered Owners, amend the Bond Orders in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Orders, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Orders relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Orders cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

No Arbitrage

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

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt 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.

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USE AND DISTRIBUTION OF UTILITY BOND PROCEEDS

A portion of the proceeds from the sale of the Utility Bonds will be used to reimburse Woodmere (hereinafter defined) for a portion of the construction costs related to the items listed below under "Construction Costs" (the "Utility Improvements") and to pay for the Utility Improvements that have not yet been constructed. The remaining proceeds from the sale of the Bonds will be used to pay issuance costs and developer interest.

I. CONSTRUCTION COSTS

▪ Morton Creek Ranch Section 25.....	\$ 633,000
▪ Morton Creek Ranch Section 29.....	119,195
▪ Morton Creek Ranch Section 30.....	970,000
▪ Morton Creek South Drainage Analysis.....	52,235
▪ Engineering.....	232,800
▪ Stormwater Pollution Prevention Plan.....	87,531
TOTAL CONSTRUCTION COSTS.....	\$ 2,094,761

II. NON-CONSTRUCTION COSTS

▪ Legal Fees.....	\$ 67,125
▪ Fiscal Agent Fees.....	49,700
▪ Developer Interest.....	143,036
▪ Bond Discount (Estimated 2.00%).....	49,700
▪ Bond Issuance Expenses.....	31,555
▪ Bond Application Report Cost.....	40,425
▪ Attorney General Fee.....	2,485
▪ TCEQ Bond Issuance Fee.....	6,213
TOTAL NON-CONSTRUCTION COSTS.....	\$ 390,239

TOTAL BOND ISSUE REQUIREMENT **\$2,485,000**

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

USE AND DISTRIBUTION OF PARK BOND PROCEEDS

A portion of the proceeds from the sale of the Park Bonds will be used to reimburse Woodmere and Katy 76 (hereinafter defined) for a portion of the construction costs related to the items listed below under "Construction Costs" (the "Park Improvements"), and to pay for the Park Improvements that have not yet been constructed. The remaining proceeds from the sale of the Park Bonds will be used to pay issuance costs and developer interest.

I. CONSTRUCTION COSTS

▪ Morton Creek Ranch Section 25 Landscape.....	\$ 152,725
▪ Morton Creek Ranch Section 29 Landscape.....	230,091
▪ Morton Creek Ranch Section 25 Streetscape and Section 30 Landscape Improvements.....	429,311
▪ Katy Trails Phase 1 Landscape.....	416,095
▪ Katy Trails Phase 2 Landscape.....	348,544
▪ Architectural Fees.....	117,865
▪ Maintenance Costs.....	45,427
TOTAL CONSTRUCTION COSTS.....	\$ 1,740,058

II. NON-CONSTRUCTION COSTS

▪ Legal Fees.....	\$ 59,625
▪ Fiscal Agent Fees.....	43,700
▪ Developer Interest.....	223,175
▪ Bond Discount (Estimated 2.00%).....	43,700
▪ Bond Issuance Expenses.....	28,169
▪ Bond Application Report Cost.....	38,925
▪ Attorney General Fee.....	2,185
▪ TCEQ Bond Issuance Fee.....	5,463
TOTAL NON-CONSTRUCTION COSTS.....	\$ 444,942

TOTAL BOND ISSUE REQUIREMENT **\$2,185,000**

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the TCEQ on June 22, 2005. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may purchase and operate park and recreational facilities within the District. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is located entirely within the extraterritorial jurisdiction of the City. The District also lies entirely within the boundaries of the Katy Independent School District.

Description

The District is located wholly within Harris County, Texas approximately 25 miles west of Houston's central business district. The District consists of approximately 613 acres comprised of two noncontiguous tracts of land. The northern tract is bounded on the east, west, and south by undeveloped acreage and on the north by Clay Road. The southern tract is bounded by undeveloped acreage on the north and east, Mason Creek on the south, Porter Road on the west and is bisected by Morton Road.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. Directors are elected in even-numbered years for four-staggered terms. The present members and officers of the Board and their positions are listed below:

<u>Name</u>	<u>Position</u>	<u>Term</u>
Ken Suminski	President	May 2028
Jeffrey W. Zarse	Vice President	May 2026
Dianne D. Migl	Secretary	May 2028
Matthew S. Weber	Assistant Secretary	May 2026
Vacant	Director	May 2026

Consultants

The District does not have a general manager or any full-time employees, but contracts for certain necessary services as described below.

Tax Assessor/Collector: The District's Tax Assessor/Collector is Bob Leared Interests, Inc. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris Central Appraisal District and bills and collects such levy.

Bookkeeper: The District's contracts with McLennan and Associates, for bookkeeping services.

Utility System Operator: The District's operator is Municipal Operations & Consulting, Inc.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is R.G. Miller Engineers, Inc. (the "Engineer").

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's financial statements audited by Mark C. Eyring, CPA, PLLC, for the fiscal year ended May 31, 2024, is included as "APPENDIX A" to this Official Statement.

Legal Counsel: Young & Brooks ("Bond Counsel") serves as bond counsel to the District. The legal fees to be paid 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 on the sale and delivery of the Bonds. Young & Brooks also acts as general counsel for the District.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

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

THE DEVELOPERS

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the Commission, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the Commission. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Description of the Developers

The largest current developer of land located within the District is Woodmere Development Company Ltd., a Texas Limited Partnership whose general partner is Woodmere GP, LLC ("Woodmere"). BGM Land Investments, Ltd, a Texas Limited Partnership ("BGM") whose general partner is G.P. Landvest, LLC is a company related to Woodmere that purchases and holds the land to be developed by Woodmere. Long Lake, Ltd., a Texas Limited Partnership ("Long Lake"), a company related to Woodmere, oversees the sales and construction of homes within the District. Woodmere, BGM, and Long Lake, as well as the builders, Pride Builders and Postwood Homes, are all under common management and ownership (the "Related Entities"). The Related Entities have developed 1,590 lots on approximately 323.7 acres within the District and continue to own approximately 38.25 acres of undeveloped but developable land within the District. It is anticipated that such currently undeveloped but developable acreage will be developed in the future for single-family residential use as future Morton Creek Ranch development sections. See "STATUS OF DEVELOPMENT" and "TAX DATA—Principal Taxpayers."

The Related Entities are actively developing and building homes in 35 communities (including the District) and also function as a homebuilder in an additional 7 communities in the general Houston metropolitan area.

Katy 76 Development Partners LP, a Delaware limited partnership ("Katy 76"), whose general partner is Katy 76 GP Inc., an Ontario corporation, has developed 301 lots on approximately 57.09 acres within the District as the single-family residential subdivision of Katy Trails.

Woodmere and Katy 76 are collectively referred to herein as the "Developers."

STATUS OF DEVELOPMENT

Status of Development within the District

Land within the District has been developed as the single-family subdivision of Morton Creek Ranch, Section 1; Section 2, Phases 1 and 2, Section 3, Phases 1 and 2; and Section 4-15, 17-29 and 30 (aggregating approximately 323.7 acres and 1,590 single-family lots) and Katy Trails, Sections 1, 2 and 3 have been developed as 301 single-family lots on approximately 57.09 acres. Additionally, approximately 18.27 institutional acres comprise of an elementary school on approximately 14.42 acres and approximately 3.85 acres have been developed as a recreational center within the District. In addition, approximately 11.73 commercial acres consist of two convenient stores, One Checkout gas station, and One QuickTrip gas station. As of July 1, 2025, the District consisted of 1,815 completed homes (approximately 1,781 of which are occupied), 9 homes under construction, and 67 vacant developed lots. The remainder of the District consists of approximately 38.25 undeveloped but developable acres, and approximately 163.97 undevelopable acres.

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The following is the status of construction of single-family detached housing within the District, as of July 1, 2025.

<u>Section</u>	<u>Acreage</u>	<u>Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
Morton Creek Ranch					
Section 1	16.21	93	93	0	0
Section 2 - Phase I	10.34	48	48	0	0
Section 3 - Phase I	8.01	44	44	0	0
Section 2 - Phase II	9.96	50	50	0	0
Section 3 - Phase II	8.58	54	54	0	0
Section 4	7.65	51	51	0	0
Section 5	12.45	57	57	0	0
Section 6	9.93	63	63	0	0
Section 7	11.44	55	55	0	0
Section 8	14.53	98	98	0	0
Section 9	13.93	74	74	0	0
Section 10	7.44	53	53	0	0
Section 11	11.52	58	58	0	0
Section 12	6.85	49	49	0	0
Section 13	10.86	59	59	0	0
Section 14	8.98	50	50	0	0
Section 15	9.86	58	58	0	0
Section 17	3.55	11	11	0	0
Section 18	13.00	52	52	0	0
Section 19	12.26	50	50	0	0
Section 20	7.66	30	30	0	0
Section 21	9.29	42	42	0	0
Section 22	7.50	35	35	0	0
Section 23	9.68	46	46	0	0
Section 24	13.03	55	55	0	0
Section 25	12.64	58	47	5	6
Section 26	9.95	37	36	0	1
Section 27	14.17	54	54	0	0
Section 28	6.35	13	1	0	12
Section 29	10.28	35	35	0	0
Section 30	15.798	58	6	4	48
Subtotal	323.70	1,590	1,514	9	67
Katy Trails					
Section 1	36.10	142	142	0	0
Section 2	12.56	83	83	0	0
Section 3	8.43	76	76	0	0
Subtotal	57.09	301	301	0	0
Total	380.79	1,891	1,815	9	67
Commercial Acreage	11.73				
Planned Commercial	0				
Institutional Acreage	18.27				
Undevelopable	163.97				
Remaining Developable	38.25				
Total District Acreage	613.00				

Homebuilders within the District

Homebuilding within the District began in 2009. Long Lake is actively building homes in the District under the names of Pride Builders, Lake Ridge Builders, Postwood Homes, Lakewood Homes, and Briarwood Homes. Pride Builders is building homes in the District ranging in price from approximately \$289,990 to approximately \$350,990 and in square footage from approximately 1,378 to approximately 3,103. Lake Ridge Builders is building homes in the District ranging in price from approximately \$297,990 to approximately \$363,990 and in square footage from approximately 1,416 to approximately 3,129. Postwood Homes is building homes in the District ranging in price from approximately \$339,990 to approximately \$432,990 and in square footage from approximately 1,937 to approximately 4,042. Lakewood Homes is building homes in the District ranging in price from approximately \$359,990 to approximately \$401,990 and in square footage from approximately 2,046 to approximately 2,848. Briarwood Homes is building homes in the District ranging in price from approximately \$379,990 to approximately \$469,990 and in square footage from approximately 2,076 to approximately 4,035.

Also, according to the Developers, homebuilding is complete within the Katy Trails subdivision. The homes constructed range in price from \$210,000 to \$350,000 and in square footage from 2,000 to 4,000.

Lot Sales Contracts

Woodmere has entered into lot sales contracts with Pride Builders, Lake Ridge Builders, Postwood Homes, Lakewood Homes, and Briarwood Homes. Pride Builders and Lake Ridge Builders have contracted to purchase all of the lots in Morton Creek Ranch, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13, 14 and 15. According to Woodmere, as of January 1, 2024, Pride Builders and Lake Ridge Builders are in compliance with their lot sales contracts. Postwood Homes and Briarwood Homes have contracted to purchase all of the lots in Morton Creek Ranch, Section 17, 18, 20, 21 and 23. According to Woodmere, as of January 1, 2024, Postwood Homes and Briarwood Homes are in compliance with their lot sales contracts. Postwood Homes, Briarwood Homes and Lakewood Homes have contracted to purchase all of the lots within Morton Creek Ranch, Section 19. According to Woodmere, as of January 1, 2024, Postwood Homes, Briarwood Homes, and Lakewood Homes are in compliance with its lot sales contracts. Lakewood Homes has contracted to purchase all of the lots within Morton Creek Ranch, Section 22. According to Woodmere, as of January 1, 2024, Lakewood Homes is in compliance with its lot sales contract. Briarwood Homes has contracted to purchase all of the lots within Morton Creek Ranch, Section 11 and 24. According to Woodmere, as of January 1, 2024, Briarwood Homes is in compliance with its lot sales contract. Lake Ridge Builders has contracted to purchase all of the lots within Morton Creek Ranch, Section 27. According to Woodmere, as of January 1, 2024, Lake Ridge Builders is in compliance with its lot sales contract. Lakewood Homes and Lake Ridge Builders has contracted to purchase all of the lots within Morton Creek Ranch, Section 26 and 28. According to Woodmere, as of January 1, 2024, Lakewood Homes and Lake Ridge Builders is in compliance with its lot sales contract. Katy 76 entered into lot sales contracts with Gehan Homes and GreenEco Builders. Gehan Homes contracted to purchase 74 lots in Katy Trails, Section 1, and 76 lots in Katy Trails, Section 3. GreenEco Builders contracted to purchase 68 lots in Katy Trails, Section 1, and 83 lots in in Katy Trails, Section 2. As of November 1, 2019, Gehan Homes and GreenEco Builders had purchased all of the lots for which they contracted. The remaining 38.25 developable acreage within the District is currently planned for future development as additional residential home sites and commercial development.

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2024 Certified Taxable Assessed Valuation.....	\$ 602,944,164	(a)
Estimated Taxable Assessed Valuation as of November 15, 2024	\$ 626,355,297	(b)

Direct Debt:

The Outstanding Bonds (as of July 1, 2025)	\$ 63,235,000	(c)
The Utility Bonds	2,485,000	
The Park Bonds	<u>2,185,000</u>	
Total.....	\$ 67,905,000	
Estimated Overlapping Debt.....	<u>27,983,211</u>	(d)
Total Direct and Estimated Overlapping Debt	\$ 95,302,480	

Direct Debt Ratios:

As a percentage of the 2024 Certified Taxable Assessed Valuation	11.26	%
As a percentage of the Estimated Taxable Assessed Valuation as of November 15, 2024	10.84	%

Direct and Estimated Overlapping Debt Ratios:

As a percentage of the 2024 Certified Taxable Assessed Valuation	15.90	%
As a percentage of the Estimated Taxable Assessed Valuation as of November 15, 2024	15.31	%

Debt Service Fund Balance (as of July 15, 2025).....	\$ 4,330,764	(e)
General Fund Balance (as of July 15, 2025).....	\$ 6,213,600	
Capital Projects Fund (as of July 15, 2025).....	\$ 9,733,280	

2024 Tax Rate per \$100 of Taxable Assessed Valuation:

Debt Service	\$0.795
Maintenance	<u>0.335</u>
Total.....	\$1.130

- (a) As certified by the Harris Central Appraisal District (the "Appraisal District") as of January 1, 2024. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on November 15, 2024. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) See "THE BONDS—Outstanding Bonds."
- (d) See "Estimated Overlapping Debt" herein.
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular balance in the debt service fund.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

<u>Taxing Jurisdiction</u>	<u>Tax Year</u>	<u>AV</u>	<u>Debt as of 6/30/2025</u>	<u>Overlapping</u>	
				<u>Percent</u>	<u>Amount</u>
Harris County	2024	\$ 665,456,297,219	\$ 2,424,019,039	0.09%	\$ 2,196,310
Harris County Department of Education	2024	665,603,203,278	28,960,000	0.09%	26,234
Harris County Flood Control District	2024	651,905,793,117	968,445,000	0.09%	895,710
Harris County Hospital District	2024	652,006,524,098	867,820,000	0.09%	802,518
Katy Independent School District	2024	56,498,751,315	2,219,530,000	1.07%	23,686,411
Port of Houston Authority	2024	651,817,781,500	406,509,397	0.09%	376,029
Total Estimated Overlapping Debt					27,983,211
Total District Direct Debt (a)					67,905,000
Total District Debt and Estimated Overlapping Debt (a)					95,888,211

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a percentage of the 2024 Certified Taxable Assessed Valuation	11.26%
As a percentage of the Estimated Taxable Assessed Valuation as of November 15, 2024	10.84%

Direct and Estimated Overlapping Debt Ratios (a):

As a percentage of the 2024 Certified Taxable Assessed Valuation	15.90%
As a percentage of the Estimated Taxable Assessed Valuation as of November 15, 2024	15.31%

(a) Includes the Outstanding Bonds and the Bonds.

Debt Service Requirements

The following schedule sets forth annual debt service requirements on the Outstanding Bonds, plus the estimated debt service requirements on the Utility Bonds and the Park Bonds at an estimated interest rate of 4.75% per annum.

Year Ending 12/31	Outstanding Bonds Debt Service	Plus: The Utility Bonds		Plus: The Park Bonds		Total Debt Service
		Principal	Interest	Principal	Interest	
2025	\$ 4,344,818	\$ -	\$ -	\$ -	\$ -	\$ 4,344,818
2026	4,341,441	60,000	116,883	55,000	102,716	4,676,040
2027	4,346,734	60,000	119,750	50,000	105,250	4,681,734
2028	4,345,553	60,000	116,750	55,000	102,625	4,679,928
2029	4,344,976	65,000	113,625	55,000	99,875	4,678,476
2030	4,344,823	65,000	110,375	60,000	97,000	4,677,198
2031	4,345,713	70,000	107,000	60,000	94,000	4,676,713
2032	4,359,465	75,000	103,375	65,000	90,875	4,693,715
2033	4,370,441	80,000	99,500	70,000	87,500	4,707,441
2034	4,392,116	80,000	95,500	70,000	84,000	4,721,616
2035	4,399,750	85,000	91,375	75,000	80,375	4,731,500
2036	4,423,130	90,000	87,000	80,000	76,500	4,756,630
2037	4,436,019	95,000	82,375	85,000	72,375	4,770,769
2038	4,448,233	100,000	77,500	90,000	68,000	4,783,733
2039	4,342,481	105,000	72,375	95,000	63,375	4,678,231
2040	4,226,091	110,000	67,000	95,000	58,625	4,556,716
2041	4,041,256	115,000	61,375	100,000	53,750	4,371,381
2042	3,715,766	120,000	55,500	105,000	48,625	4,044,891
2043	3,357,134	130,000	49,250	115,000	43,125	3,694,509
2044	2,968,003	135,000	42,625	120,000	37,250	3,302,878
2045	2,608,209	140,000	35,750	125,000	31,125	2,940,084
2046	2,200,731	150,000	28,500	130,000	24,750	2,533,981
2047	1,893,494	155,000	20,875	135,000	18,125	2,222,494
2048	1,444,184	165,000	12,875	145,000	11,125	1,778,184
2049	-	175,000	4,375	150,000	3,750	333,125
	<u>\$92,040,561</u>	<u>\$2,485,000</u>	<u>\$1,771,508</u>	<u>\$2,185,000</u>	<u>\$1,554,716</u>	<u>\$100,036,785</u>

Estimated Average Annual Debt Service Requirement (2026-2049).....	\$3,987,165
Estimated Maximum Annual Debt Service Requirement (2038).....	\$4,783,733

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.50 per \$100 of assessed valuation without additional voter approval, for operation and maintenance purposes. The Board levied a total 2024 tax rate of \$1.130 per \$100 of assessed valuation comprised of: \$0.795 per \$100 of assessed valuation for debt service purposes and \$0.335 per \$100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

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

Historical Tax Collections

Year	Assessed Valuation	Tax Rate per \$100 (a)	Tax Levy	% of Current Collections	Tax Year Ending 9/30	Collections as 6/30/2025
2019	\$ 276,789,520	\$ 1.320000	\$ 3,653,622	99.94%	2020	99.94%
2020	318,616,633	1.300000	4,142,016	99.87%	2021	99.87%
2021	373,301,424	1.300000	4,852,919	99.88%	2022	99.88%
2022	465,235,869	1.260000	5,861,173	99.89%	2023	99.89%
2023	565,377,285	1.180000	6,426,979	99.70%	2024	99.70%
2024	602,944,164	1.130000	6,813,466	98.88%	2025	98.88%

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

Tax Rate Distribution

The following sets out the components of the District's tax rate for each of tax years 2020–2024.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$ 0.795	\$ 0.820	\$ 0.880	\$ 0.790	\$ 0.800
Maintenance and Operations	0.335	0.360	0.380	0.510	0.500
Total	\$ 1.130	\$ 1.180	\$ 1.260	\$ 1.300	\$ 1.300

Analysis of Tax Base

The following represents the composition of property breakdowns for the 2020 through 2024 Certified Taxable Assessed Valuations as certified by the Appraisal District.

Type of Property	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$149,507,320	\$134,497,537	\$103,689,832	\$81,274,288	\$70,179,431
Improvements	511,057,785	512,150,922	439,774,024	319,485,586	274,804,771
Personal Property	7,974,529	6,608,519	6,812,761	3,838,527	2,992,024
Exemptions	(65,595,470)	(87,879,693)	(85,040,748)	(31,296,977)	(29,359,593)
Total	<u>\$602,944,164</u>	<u>\$565,377,285</u>	<u>\$465,235,869</u>	<u>\$373,301,424</u>	<u>\$318,616,633</u>

Exemptions

For the 2025 tax year, the District has not granted any optional exemptions. According to the Appraisal District, no land within the District was qualified on the basis of agricultural use for the 2024 tax year.

Principal Taxpayers

The following are the ten principal taxpayers in the District, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the 2024 Certified Taxable Assessed Valuation of \$602,944,164. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of November 15, 2024, of \$626,355,297 is not available.

Taxpayer	Property Type	2024 Tax Year	% of Tax Roll
Woodmere Deveelopment Co. (a)	Land & Improvements	\$ 12,368,172	2.05%
Crossing at Katy Trails	Land & Improvements	4,475,456	0.74%
SDP Autocare	Land & Improvements	2,567,709	0.43%
Long Lake Ltd. (a)(b)	Land, Improvements, & Personal Property	2,534,615	0.42%
Hizami Family 1990	Land & Improvements	2,230,253	0.37%
Centerpoint Energy	Personal Property	1,919,020	0.32%
QT South LLC	Land & Improvements	1,530,855	0.25%
BGM Land Investments Ltd. (a)	Land & Improvements	1,324,665	0.22%
Hawthorne Real Estate Partnership	Land & Improvements	1,196,157	0.20%
Homeowner	Land & Improvements	979,739	0.16%
Total		<u>\$ 31,126,641</u>	<u>5.16%</u>

(a) Related Entities; see "THE DEVELOPERS."

(b) See "STATUS OF DEVELOPMENT—Homebuilders within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2024 Certified Taxable Assessed Valuation of \$602,944,164 and the Estimated Taxable Assessed Valuation as of November 15, 2024 of \$626,355,297. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DISTRICT DEBT—Debt Service Requirements."

Estimated Average Annual Debt Service Requirement (2026-2049).....	\$3,987,165
\$0.70 on the 2024 Certified Taxable Assessed Valuation.....	\$4,009,579
\$0.68 Tax Rate on the Estimated Taxable Assessed Valuation as of November 15, 2024.....	\$4,046,255
Estimated Maximum Annual Debt Service Requirement (2038)	\$4,783,733
\$0.84 Tax Rate on the 2024 Certified Taxable Assessed Valuation	\$4,811,494
\$0.81 Tax Rate on the Estimated Taxable Assessed Valuation as of November 15, 2024.....	\$4,819,804

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of November 15, 2024 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2024 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate</u>
The District	\$ 1.130000
Katy Independent Schol District	1.117100
Harris County	0.385290
Harris County Flood Control District	0.048970
Port of Houston Authority	0.006150
Harris County Hospital District	0.163480
Harris County Department of Education	0.004799
Harris County Emergency Services District No. 48	0.099562
Estimated Total Tax Rate	\$ 2.955351

PHOTOGRAPHS OF THE DISTRICT
(taken July 2025)



TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property 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 Harris Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, 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 for the full value of the veteran’s residence 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. 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 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 in action 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 service member's death and said property was the service member's residence homestead at the time of death. Such exemption may 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.

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 twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. For tax year 2025 and prior years, the District has not adopted a homestead exemption. See "TAX DATA - Exemptions."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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 District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified

improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Harris County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code.

The Property 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 Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property 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 District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District at least once every three 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. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal 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 the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, 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 Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property 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.

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 "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts: Low Tax Rate Districts 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made on an annual basis. For the 2024 tax year, the District was qualified as a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person (1) has been granted an exemption under Section 11.13; Tax Code; (2) requests an installment agreement; and (3) has not entered into an agreement with the collector in the preceding 24 months. The installment payment agreement must provide for payment to be made in monthly installments and must extend for a period of at least 12 months and not more than 36 months. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collections and Foreclosure Remedies."

THE SYSTEM

Regulation

According to the Engineer, the District's System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, Harris County, and the Harris County Flood Control District ("HCFCD"). According to the Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District's System is subject to regulation by, among other, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Description of the System

Water Supply Facilities: The District owns and operates a 1,200 gallons per minute ("gpm") water well ("Water Well No. 1"). Water Well No. 1 is included in an aggregate permit issued to the West Harris County Regional Water Authority, with a total permitted annual withdrawal of 17.3 billion gallons. The District has completed two expansions of the water supply system that consists of: 35,000 gallons of pressure tanks, 436,900 gallons of ground storage tank capacity, and (5) 1,000 gpm booster pumps. The total capacity of the District's existing water supply system is 2,000 ESFCs. The District is currently under design to expand its facilities and add an additional 400-600 gpm water well, 10,000 gallon pressure tank and 170,000 gallon ground storage tank to meet ultimate build-out demand.

The District has an emergency water interconnect agreement with the Harris County Municipal Utility District No. 65 ("HCMUD 65"). The interconnect is for emergency use only and is normally closed. In addition, the District has entered into an emergency water interconnect agreement with Harris County Municipal Utility District No. 449. The interconnect is for emergency use only and will normally be closed.

Wastewater Treatment Facilities: Wastewater treatment was initially provided by an interim 150,000 gallon per day package plant wastewater treatment plant ("WWTP"). The District has since completed one expansion of the WWTP that expanded capacity to 500,000 gallons per day. The WWTP is currently capable of serving 2,000 ESFCs. The District currently leases the WWTP from the AUC Group with an option to purchase.

Drainage Facilities: The District's northern 86 acre tract drains south towards Harris County Flood Control District (HCFCD) Unit No. U101-08-00. The 321 acre tract north of Morton Ranch Road drains north to HCFCD Unit No. U101-08-00. The 141 acre tract south of Morton Ranch Road drains south to Mason Creek.

The System improvements consist of storm sewer systems, drainage channels and detention basins to serve the District's storm water runoff.

Subsidence District

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City to obtain treated surface water from the City. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The provisions of the Authority's Rate Order allow the District, subject to groundwater reduction requirements imposed by the Authority, the terms of the GRP, and any limitations imposed by the Subsidence District, the right to pump from its groundwater well(s) the amount of groundwater reasonably determined by the District to be needed by the District, for itself or for its customers, to provide water in accordance with at least the minimum regulatory requirements for pressure and supply, including during an emergency requiring immediate use of groundwater (such as for firefighting purposes) so long as the District is not committing waste or being wasteful.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, substantial fees per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2030 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP beginning in the year 2010; (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP beginning in the year 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand of the water users within the Authority's GRP beginning in the year 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a substantial disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. The current rate for Disincentive Fees imposed by the Subsidence District is \$12.12 per 1,000 gallons. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Operating History

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer systems are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements, for the fiscal years ending May 31, 2020 through May 31, 2024. A copy of the District's audited financial statements for the fiscal year ended May 31, 2024, is included as "APPENDIX A" to this Official Statement.

	Fiscal Year Ending May 31,				
<u>Revenues</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Taxes	\$1,952,095	\$1,808,631	\$1,869,046	\$1,600,838	\$1,730,878
Water Service	446,011	419,636	370,725	361,886	311,347
Sewer Fees	788,645	735,839	677,810	620,598	561,471
Surface Water Fees	716,712	645,737	496,898	486,535	368,183
Penalty and Interest	55,925	33,150	26,259	23,242	21,924
Tap Connection and Sewer Inspection Fees	104,763	64,125	84,800	170,515	120,600
Interest on Deposits	263,046	142,901	4,186	2,370	31,083
Other	16,473	20,906	25,966	19,654	16,995
Total	<u>\$4,343,670</u>	<u>\$3,870,925</u>	<u>\$3,555,690</u>	<u>\$3,285,638</u>	<u>\$3,162,481</u>
<u>Expenditures</u>					
Professional Fees	\$235,636	\$240,790	\$202,802	\$215,943	\$207,717
Contracted Services	125,069	120,894	119,051	122,002	105,803
Utilities	150,999	152,107	124,232	291,170	93,042
Surface Water Pumpage Fees	796,604	668,174	527,838	487,481	391,256
Lease of Sewage Plant	78,750	79,800	79,800	82,800	88,800
Repairs and Maintenance	675,501	586,761	502,976	423,725	542,452
Other Operating Expenditures	483,732	288,831	211,942	221,210	189,119
Security Service	147,818	76,792	74,367	73,006	70,069
Garbage Disposal	397,269	353,634	318,278	275,688	246,940
Administrative Expenditures	136,769	112,982	98,085	91,538	88,274
Debt Service	-	-	-	-	1,145,965
Capital Outlay	407,864	45,531	220,178	619,435 (a)	227,398
Total	<u>\$3,636,011</u>	<u>\$2,726,296</u>	<u>\$2,479,549</u>	<u>\$2,903,998</u>	<u>\$3,396,835</u>
NET REVENUES (Deficit)	<u>\$707,659</u>	<u>\$1,144,629</u>	<u>\$1,076,141</u>	<u>\$381,640</u>	<u>(\$234,354)</u>
Other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ 22,875
Beginning fund balance	4,785,632	3,641,003	2,564,862	2,183,222	2,394,701
Ending fund balance	<u>\$5,493,291</u>	<u>\$4,785,632</u>	<u>\$3,641,003</u>	<u>\$2,564,862</u>	<u>\$2,183,222</u>

(a) Expenditures related to water plant expansion, water plant generator and wastewater treatment plant expansion.

THE PARK SYSTEM

Park and recreational improvements have been constructed on approximately 95 acres in the District and include neighborhood parks, amenity ponds, pedestrian bridges, sidewalks, playgrounds with benches, lighting and landscaping throughout the District.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, the City, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “THE DISTRICT—Development within the District,” “TAX DATA,” and “TAXING PROCEDURES.”

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. A decline in the price of oil could adversely affect the demand for homes in the District as well as the value of existing homes. See “Potential Effects of Oil Price Fluctuations on the Houston Area” below. The District cannot predict the pace or magnitude of any future development in the District. See “STATUS OF DEVELOPMENT.”

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 25 miles west from the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes have been significantly developed and levy lower tax rates. As a result, particularly during times of increased competition, the Developers and homebuilders within the District may be at a competitive disadvantage to the developers and homebuilders in other single-family projects located closer to major urban centers or more mature developments. See “THE DISTRICT” and “STATUS OF DEVELOPMENT.”

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 homes sales from other developments, there are numerous previously-owned single-family homes in more established neighborhoods closer to the City that are for sale. Such existing developments could represent additional competition for new development and homebuilding proposed to be constructed within the District.

The competitive position of the Developers in the sale of land and the sale of residences is affected by most of 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 Developers will be implemented or, if implemented, will be successful.

Increase in Costs of Building Materials: As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience

budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

Maximum Impact to District Tax Rate: Assuming no further development within the District, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Certified Taxable Assessed Valuation is \$602,944,164 and the Estimated Valuation as of November 15, 2024 is \$626,355,297. After issuance of the Bonds, the estimated maximum annual debt service requirement will be \$4,783,733 (2038) and the estimated average annual debt service requirement will be \$3,987,165 (2026-2049, both inclusive). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation, a tax rate of \$0.84 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement of \$4,783,733 and a tax rate of \$0.70 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirements of \$3,987,165. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of November 15, 2024, a tax rate of \$0.81 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement of \$4,783,733 and a tax rate of \$0.68 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirements of \$3,987,165 (see "DISTRICT DEBT—Debt Service Requirements").

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

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

Developers Under No Obligation to the District: The Developers have informed the District of their current plans to continue to develop land in the District for residential purposes and commercial purposes. The Developers have not advised the District of any current plans to sell its land within the District to other developers. However, the Developers are not obligated to implement such plan on any particular schedule or continue to implement such plan at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers' right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see "TAX DATA—Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPERS" and "STATUS OF DEVELOPMENT."

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure.

The District's right to seek judicial foreclosure on a tax lien may prove to be costly and time consuming, and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the 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 – Bankruptcy Limitation to Registered Owners' Rights."

Marketability

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

Future Debt

Following the issuance of the Bonds, the District will have \$46,240,000 principal amount remaining in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing water, sanitary sewer and drainage facilities, and to refund bonds issued for such purposes, and \$3,305,000 in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing parks and recreational facilities, and to refund bonds issued for such purposes. The District reserves in the Bond Orders the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. After the issuance of the Bonds, the District will have fulfilled its outstanding obligation to Woodmere. The issuance of additional bonds, except for refunding bonds, is also subject to TCEQ authorization.

Additional tax bonds may be authorized by the District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Orders imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on parity with the Bonds.

Continuing Compliance with Certain Covenants

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

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; and
- Requiring remedial action to prevent or mitigate pollution.

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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, including SIP revisions, will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The District is not subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems.

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

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

and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform to the Supreme Court’s decision.

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

Extreme Weather Events

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

The greater Houston area 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. According to the Operator and the Engineer, the District’s water, wastewater and drainage system did not sustain any material damage and there was no interruption of water and sewer service during Hurricane Harvey. Further, according to the Operator and the Engineer, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it

would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas 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 Texas Legislature may enact laws that materially change current law as it relates to the District. On June 23, 2025, the Governor called the First Special Session to begin on July 21, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Reappraisal of Property After Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. The District has not adopted an Order regarding reappraisal of property.

Tax Payment Installments After Disaster

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

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 District. The District cannot predict the impact that negative conditions in the oil industry might have on property values in the District.

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The purchase of such insurance, if available, will be at the option and expense of the respective Initial Purchaser. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such

acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the District or Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE AND MUNICIPAL BOND RATING" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

Approval of the Bonds

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchasers a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Young & Brooks, Houston, Texas, Bond Counsel ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District. See "THE BONDS - Source of Payment." Bond Counsel's opinion will also address the matters described below under "TAX MATTERS."

In its capacity as Bond Counsel, Young & Brooks has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for the subsection "Book-Entry-Only System"), "TAXING PROCEDURES," "THE DISTRICT—Management of the District—Legal Counsel", "LEGAL MATTERS—Legal Opinions", "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings") to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor have they 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 of the information contained herein. The legal fees to be paid 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 on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the Registered Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the Registered Owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

The obligations of the Initial Purchasers 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 subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the Project. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied

by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Bonds may be includable in a corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA" to the extent available, and "APPENDIX A" (Audited Financial Statements of the District). 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 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 is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements if and when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax exempt status of the Bonds, or other material events affecting the tax exempt 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. With respect to the Bonds, there are no "obligated persons" within the meaning of the Rule other than the District. The terms "financial obligation" and "material" when used in this paragraph shall have the meaning ascribed to them under federal securities laws. The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12. Neither the Bonds nor the Bond Orders 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."

Availability of Information from EMMA

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

Limitations and Amendments

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

Beneficial Owners of the 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 SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Orders if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 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 Purchasers from lawfully purchasing the Bonds in the initial offering. If the District amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12 except that the District failed to timely file notice of issuance of the District’s Bond Anticipation Note, Series 2019, Bond Anticipation Note, Series 2020, Park Bond Anticipation Note, Series 2020, and Bond Anticipation Note, Series 2021. In each case, notice of late filing was made. When the District timely filed its Annual Financial Information and Operating Data for the fiscal year ending May 31, 2022, it failed to include CUSIPs for some of the District’s outstanding bonds. The annual filing for the missing CUSIPs was made with the MSRB on January 30, 2023, and notice of late filing was made.

SOURCES OF INFORMATION

General

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

Experts

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

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” was provided by Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon Tax Assessor/Collector’s authority as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of property appraisal.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, 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 Purchasers, of any adverse event which causes the Official Statement to be materially misleading, and unless the respective Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchasers; 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 Purchasers, unless the respective Initial Purchaser notify the District in writing 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the 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 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. 432 as of the date shown on the first page hereof.

/s/ _____
President, Board of Directors
Harris County Municipal Utility District No. 432

ATTEST:
/s/ _____
Secretary, Board of Directors
Harris County Municipal Utility District No. 432

APPENDIX A
Financial Statements of the District

HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 432
HARRIS COUNTY, TEXAS
ANNUAL AUDIT REPORT
MAY 31, 2024

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Mark C. Eyring, CPA, PLLC

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

September 17, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris Municipal
Utility District No. 432
Harris, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris Municipal Utility District No. 432 as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise Harris Municipal Utility District No. 432's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris Municipal Utility District No. 432, as of May 31, 2024, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris Municipal Utility District No. 432, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris Municipal Utility District No. 432's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harris Municipal Utility District No. 432's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris Municipal Utility District No. 432's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris Municipal Utility District No. 432's basic financial statements. The supplementary information on Pages 24 to 55 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 432 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2024.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 28,213,064	\$ 14,664,065	\$ 13,548,999
Capital assets	<u>37,309,816</u>	<u>34,006,968</u>	<u>3,302,848</u>
Total assets	<u>65,522,880</u>	<u>48,671,033</u>	<u>16,851,847</u>
Long-term liabilities	64,349,664	46,374,768	17,974,896
Other liabilities	<u>5,233,888</u>	<u>5,224,144</u>	<u>9,744</u>
Total liabilities	<u>69,583,552</u>	<u>51,598,912</u>	<u>17,984,640</u>
Net position:			
Invested in capital assets, net of related debt	(29,106,078)	(16,751,547)	(12,354,531)
Restricted	19,522,706	9,014,103	10,508,603
Unrestricted	<u>5,522,700</u>	<u>4,809,565</u>	<u>713,135</u>
Total net position	<u>\$ (4,060,672)</u>	<u>\$ (2,927,879)</u>	<u>\$ (1,132,793)</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 6,447,385	\$ 6,008,689	\$ 438,696
Charges for services	2,128,529	1,919,393	209,136
Other revenues	<u>1,197,642</u>	<u>425,982</u>	<u>771,660</u>
Total revenues	<u>9,773,556</u>	<u>8,354,064</u>	<u>1,419,492</u>
Expenses:			
Service operations	7,425,246	3,434,666	3,990,580
Debt service	<u>3,481,103</u>	<u>1,559,498</u>	<u>1,921,605</u>
Total expenses	<u>10,906,349</u>	<u>4,994,164</u>	<u>5,912,185</u>
Change in net assets	(1,132,793)	3,359,900	(4,492,693)
Net position, beginning of year	<u>(2,927,879)</u>	<u>(6,287,779)</u>	<u>3,359,900</u>
Net position, end of year	<u>\$ (4,060,672)</u>	<u>\$ (2,927,879)</u>	<u>\$ (1,132,793)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2024 were \$25,502,293, an increase of \$11,411,547 from the prior year.

The General Fund balance increased by \$707,659, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$845,334, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$9,858,554, as proceeds from bonds and interest earnings on deposits and investments exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of May 31, 2024, was expected to be \$5,721,738 and the actual end of year fund balance was \$5,493,291.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 1,983,495	\$ 1,968,762	\$ 14,733
Detention ponds	7,873,615	7,873,615	0
Construction in progress	5,106,720	5,448,997	(342,277)
Parks and recreational	2,861,418	1,733,751	1,127,667
Water facilities	7,358,233	5,930,672	1,427,561
Sewer facilities	12,126,335	11,051,171	1,075,164
Totals	<u>\$ 37,309,816</u>	<u>\$ 34,006,968</u>	<u>\$ 3,302,848</u>

Changes to capital assets during the fiscal year ended May 31, 2024, are summarized as follows:

Additions:

Water system improvements	\$ 292,922
Sewer system improvements	2,223,028
Underground facilities constructed by developers	<u>4,400,784</u>
Total additions to capital assets	6,916,734

Decreases:

Transfer of subdivision drainage system to Harris County	(2,895,791)
Depreciation	<u>(718,095)</u>

Net change to capital assets	<u>\$ 3,302,848</u>
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Debt

Changes in the bonded debt position of the District during the fiscal year ended May 31, 2024, are summarized as follows:

Bonded debt payable, beginning of year	\$ 46,570,000
Bonds sold	20,720,000
Bonds paid	<u>(1,890,000)</u>
Bonded debt payable, end of year	<u>\$ 65,400,000</u>

At May 31, 2024, the District had \$48,725,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District. In addition, the District had \$5,490,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the parks and recreation facilities within the District.

The District's Series 2016, 2017, 2018, 2019, 2019 Refunding, 2020, 2021, 2021A, 2022, 2023, 2024 and 2024 park bonds have an underlying rating of Baa1 by Moody's. The Series 2016, 2018 and 2023 bonds are insured by Build America Mutual Assurance Company. The Series 2017, 2019, 2019 Refunding, 2020, 2021, 2021A, 2022, 2024 and 2024 park bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the Series 2016, 2017, 2018, 2019, 2019 Refunding, 2020, 2021, 2021A, 2022, 2023, 2024 and 2024 park bonds is AA by Standard & Poor's. The Series 2017, 2019, 2019 Refunding, 2020, 2021, 2021A, 2022 and 2024 bonds are also rated A1 by Moody's. The District bonds prior to the Series 2016 bonds are not rated or insured. There were no changes in the bond ratings during the fiscal year ended May 31, 2024.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At May 31, 2024, the estimated amount due to the developers was \$2,049,469.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$81,360,000 for the 2023 tax year (approximately 17%) primarily due to the addition of new houses to the tax base.

Relationship to the City of Houston

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

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

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

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District and by January 2005, the District must have provided evidence to the Subsidence District that construction of the infrastructure defined within the District's certified groundwater reduction plan has started. The Subsidence District has designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the initial phase of the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's surface water pumpage fee was equal to \$3.95 and the surface water usage fee was equal to \$4.35 as of May 31, 2024.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This disincentive fee would be in addition to the Authority's fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

MAY 31, 2024

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 418,232	\$ 124,065	\$ 347	\$ 542,644	\$	\$ 542,644
Temporary investments, at cost, Note 7	5,416,043	3,902,326	18,039,188	27,357,557		27,357,557
Receivables:						
Property taxes	29,409	62,463		91,872		91,872
Accrued penalty and interest on property taxes				0	10,618	10,618
Service accounts	163,213			163,213		163,213
Prepaid lease expenditures, Note 9	7,400			7,400		7,400
Prepaid bond issuance expenditures	39,760			39,760		39,760
Due from other funds	4,141		5,506	9,647	(9,647)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	14,963,830	14,963,830
Depreciable capital assets				0	22,345,986	22,345,986
Total assets	\$6,078,198	\$4,088,854	\$18,045,041	\$ 28,212,093	37,310,787	65,522,880
LIABILITIES						
Accounts payable	\$ 229,374	\$ 37,757	\$ 57,130	\$ 324,261		324,261
Construction contracts payable	120,478		1,963,402	2,083,880		2,083,880
Accrued interest payable				0	559,377	559,377
Customer and builder deposits	200,140			200,140		200,140
Due to other fund	5,506	4,141		9,647	(9,647)	0
Long-term liabilities, Note 5:						
Due within one year				0	2,066,230	2,066,230
Due in more than one year				0	64,349,664	64,349,664
Total liabilities	555,498	41,898	2,020,532	2,617,928	66,965,624	69,583,552
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	29,409	62,463	0	91,872	(91,872)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Prepaid lease expenditures, Note 9	7,400			7,400	(7,400)	0
Restricted for future construction, Note 7			9,840,598	9,840,598	(9,840,598)	0
Assigned to:						
Debt service		3,984,493		3,984,493	(3,984,493)	0
Capital projects			6,183,911	6,183,911	(6,183,911)	0
Unassigned	5,485,891			5,485,891	(5,485,891)	0
Total fund balances	5,493,291	3,984,493	16,024,509	25,502,293	(25,502,293)	0
Total liabilities, deferred inflows, and fund balances	\$6,078,198	\$4,088,854	\$18,045,041	\$ 28,212,093		
Net position:						
Invested in capital assets, net of related debt, Note 4					(29,106,078)	(29,106,078)
Restricted for debt service					3,498,197	3,498,197
Restricted for capital projects					16,024,509	16,024,509
Unrestricted					5,522,700	5,522,700
Total net position					\$ (4,060,672)	\$ (4,060,672)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

FOR THE YEAR ENDED MAY 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 1,952,095	\$ 4,446,313	\$	\$ 6,398,408	\$ 17,351	\$ 6,415,759
Water service	446,011			446,011		446,011
Sewer service	788,645			788,645		788,645
Surface water fees, Note 10	716,712			716,712		716,712
Penalty and interest	55,925	29,857		85,782	1,769	87,551
Tap connection and sewer inspection fees	104,763			104,763		104,763
Interest on deposits and investments	263,046	166,886	767,710	1,197,642		1,197,642
Other	16,473			16,473		16,473
Total revenues	<u>4,343,670</u>	<u>4,643,056</u>	<u>767,710</u>	<u>9,754,436</u>	<u>19,120</u>	<u>9,773,556</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	235,636	24,220	8,270	268,126		268,126
Contracted services	125,069	82,109		207,178		207,178
Utilities	150,999			150,999		150,999
Surface water pumpage fees, Note 10	796,604			796,604		796,604
Lease of sewage plant, Note 9	78,750			78,750		78,750
Repairs and maintenance	675,501			675,501		675,501
Other operating expenditures	483,732			483,732		483,732
Security service	147,818			147,818		147,818
Garbage disposal	397,269			397,269		397,269
Administrative expenditures	136,769	5,683		142,452		142,452
Depreciation				0	718,095	718,095
Capital outlay / non-capital outlay	407,864		6,652,209	7,060,073	(4,096,339)	2,963,734
Debt service:						
Principal retirement		1,890,000		1,890,000	(1,890,000)	0
Bond issuance expenditures			1,293,258	1,293,258		1,293,258
Interest and fees		1,795,710	394,988	2,190,698	392,135	2,582,833
Total expenditures / expenses	<u>3,636,011</u>	<u>3,797,722</u>	<u>8,348,725</u>	<u>15,782,458</u>	<u>(4,876,109)</u>	<u>10,906,349</u>
Excess (deficiency) of revenues over expenditures	<u>707,659</u>	<u>845,334</u>	<u>(7,581,015)</u>	<u>(6,028,022)</u>	<u>4,895,229</u>	<u>(1,132,793)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		490,431	20,229,569	20,720,000	(20,720,000)	0
Bond issuance discount, Note 5		(490,431)		(490,431)	490,431	0
Bond Anticipation Note repaid, Note 5			(2,790,000)	(2,790,000)	2,790,000	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>17,439,569</u>	<u>17,439,569</u>	<u>(17,439,569)</u>	<u>0</u>
Net change in fund balances / net position	707,659	845,334	9,858,554	11,411,547	(12,544,340)	(1,132,793)
Beginning of year	<u>4,785,632</u>	<u>3,139,159</u>	<u>6,165,955</u>	<u>14,090,746</u>	<u>(17,018,625)</u>	<u>(2,927,879)</u>
End of year	<u>\$ 5,493,291</u>	<u>\$ 3,984,493</u>	<u>\$ 16,024,509</u>	<u>\$ 25,502,293</u>	<u>\$(29,562,965)</u>	<u>\$ (4,060,672)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432NOTES TO THE FINANCIAL STATEMENTSMAY 31, 2024

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 432 (the "District") was created by was created by an order of the Texas Commission on Environmental Quality effective June 22, 2005, and operates accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on June 30, 2005, and the first bonds were sold on December 5, 2011. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 25,502,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		37,309,816
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (65,400,000)	
Deferred charge on refunding (to be amortized as interest expense)	56,556	
Issuance discount, net of premiums (to be amortized as interest expense)	977,019	
Due to developers for construction	<u>(2,049,469)</u>	(66,415,894)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	10,618	
Uncollected property taxes	<u>91,872</u>	102,490
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(559,377)</u>
Net position, end of year		<u>\$ (4,060,672)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 11,411,547
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 4,096,339	
Depreciation	<u>(718,095)</u>	3,378,244
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(20,720,000)	
Bond Anticipation Note repayment	2,790,000	
Principal reduction	<u>1,890,000</u>	(16,040,000)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(7,601)	
Issuance discounts, net of premiums	<u>314,826</u>	307,225
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	1,769	
Uncollected property taxes	<u>17,351</u>	19,120
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>(208,929)</u>
Change in net position		<u>\$ (1,132,793)</u>

NOTE 4: CAPITAL ASSETS

At May 31, 2024, "Invested in capital assets, net of related debt" was \$(29,106,078). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended May 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,968,762	\$ 14,733	\$	\$ 1,983,495
Detention ponds	7,873,615			7,873,615
Construction in progress	<u>5,448,997</u>	<u>6,852,814</u>	<u>7,195,091</u>	<u>5,106,720</u>
Total capital assets not being depreciated	<u>15,291,374</u>	<u>6,867,547</u>	<u>7,195,091</u>	<u>14,963,830</u>
Depreciable capital assets:				
Park and recreational	1,839,046	1,195,092		3,034,138
Water system	8,080,388	1,742,108		9,822,496
Sewer system	<u>12,635,766</u>	<u>1,411,287</u>		<u>14,047,053</u>
Total depreciable capital assets	<u>22,555,200</u>	<u>4,348,487</u>	<u>0</u>	<u>26,903,687</u>
Less accumulated depreciation for:				
Park and recreational	(105,295)	(67,425)		(172,720)
Water system	(2,149,716)	(314,547)		(2,464,263)
Sewer system	<u>(1,584,595)</u>	<u>(336,123)</u>		<u>(1,920,718)</u>
Total accumulated depreciation	<u>(3,839,606)</u>	<u>(718,095)</u>	<u>0</u>	<u>(4,557,701)</u>
Total depreciable capital assets, net	<u>18,715,594</u>	<u>3,630,392</u>	<u>0</u>	<u>22,345,986</u>
Total capital assets, net	<u>\$ 34,006,968</u>	<u>\$ 10,497,939</u>	<u>\$ 7,195,091</u>	<u>\$ 37,309,816</u>
Changes to capital assets:				
Capital outlay		\$ 4,096,339	\$	
Assets transferred to non-depreciable assets		14,733	14,733	
Assets transferred to depreciable assets		7,180,358	7,180,358	
Increase in liability to developer for construction		4,400,784		
Capital outlay paid (decrease in liability) to developer		(4,476,180)		
Less depreciation expense for the fiscal year		<u>(718,095)</u>		
Net increases / decreases to capital assets		<u>\$ 10,497,939</u>	<u>\$ 7,195,091</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended May 31, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 46,570,000	\$ 20,720,000	\$ 1,890,000	\$ 65,400,000	\$ 2,165,000
Less deferred amounts:					
For refunding costs	(64,157)		(7,601)	(56,556)	(7,021)
For issuance discounts	<u>(662,193)</u>	<u>(490,431)</u>	<u>(175,605)</u>	<u>(977,019)</u>	<u>(91,749)</u>
Total bonds payable	<u>45,843,650</u>	<u>20,229,569</u>	<u>1,706,794</u>	<u>64,366,425</u>	<u>2,066,230</u>
Bond Anticipation Note payable	<u>2,790,000</u>	<u>0</u>	<u>2,790,000</u>	<u>0</u>	<u>0</u>
Due to developers for construction (see below)	<u>2,124,865</u>	<u>4,400,784</u>	<u>4,476,180</u>	<u>2,049,469</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 50,758,515</u>	<u>\$24,630,353</u>	<u>\$ 8,972,974</u>	<u>\$ 66,415,894</u>	<u>\$ 2,066,230</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments, Liabilities and Advances

The developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at May 31, 2024, was \$2,049,469. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

As of May 31, 2024, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,165,000	\$ 2,220,494	\$ 4,385,494
2026	2,245,000	2,126,453	4,371,453
2027	2,330,000	2,045,428	4,375,428
2028	2,410,000	1,965,986	4,375,986
2029	2,495,000	1,882,018	4,377,018
2030 - 2034	13,900,000	8,088,647	21,988,647
2035 - 2039	16,595,000	5,669,341	22,264,341
2040 - 2044	15,645,000	2,852,939	18,497,939
2045 - 2048	<u>7,615,000</u>	<u>600,400</u>	<u>8,215,400</u>
	<u>\$ 65,400,000</u>	<u>\$ 27,451,706</u>	<u>\$ 92,851,706</u>
Bonds voted			\$ 120,000,000
Bonds approved for sale and sold			71,275,000
Bonds voted and not issued			48,725,000
Parks and recreation bonds voted and not issued			5,490,000

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

The bond issues payable at May 31, 2024, were as follows:

	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2016</u>
Amounts outstanding, May 31, 2024	\$1,570,000	\$2,335,000	\$4,675,000
Interest rates	3.25% to 4.125%	3.25% to 4.10%	2.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2025/2039	March 1, 2025/2040	March 1, 2025/2041
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2022*	March 1, 2023*	March 1, 2024*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2017</u>	<u>Series 2018</u>	<u>Series 2019</u>
Amounts outstanding, May 31, 2024	\$4,835,000	\$5,720,000	\$4,850,000
Interest rates	2.25% to 4.00%	3.00% to 4.50%	3.00% to 3.125%
Maturity dates, serially beginning/ending	March 1, 2025/2042	March 1, 2025/2043	March 1, 2025/2044
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2025*	March 1, 2023*	March 1, 2024*
	<u>Refunding Series 2019</u>	<u>Series 2020</u>	<u>Series 2021</u>
Amounts outstanding, May 31, 2024	\$2,360,000	\$6,070,000	\$3,090,000
Interest rates	3.00%	2.00% to 4.50%	1.50% to 2.25%
Maturity dates, serially beginning/ending	March 1, 2025/2038	March 1, 2025/2045	March 1, 2025/2046
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2029*	March 1, 2025*	March 1, 2026*
	<u>Series 2021A Park</u>	<u>Series 2022</u>	<u>Series 2023</u>
Amounts outstanding, May 31, 2024	\$1,875,000	\$7,530,000	\$14,240,000
Interest rates	1.75% to 4.25%	3.00% to 4.00%	4.00% to 6.00%
Maturity dates, serially beginning/ending	March 1, 2025/2046	March 1, 2025/2047	March 1, 2025/2048
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2026*	March 1, 2028*	March 1, 2029*
	<u>Series 2024</u>	<u>Series 2024 Park</u>	
Amounts outstanding, May 31, 2024	\$3,785,000	\$2,465,000	
Interest rates	4.00% to 5.00%	4.00% to 5.00%	
Maturity dates, serially beginning/ending	March 1, 2025/2048	March 1, 2025/2048	
Interest payment dates	September 1/March 1	September 1/March 1	
Callable dates	March 1, 2030*	March 1, 2030*	

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

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

At an election held September 19, 2005, the voters within the District authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District and a parks and recreation tax not to exceed \$0.10 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 17, 2023, the District levied the following ad valorem taxes for the 2023 tax year on the adjusted taxable valuation of \$546,494,964:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.8200	\$ 4,481,259
Maintenance	<u>0.3600</u>	<u>1,967,382</u>
	<u>\$ 1.1800</u>	<u>\$ 6,448,641</u>

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

2023 tax year total property tax levy	\$ 6,448,641
Appraisal district adjustments to prior year taxes	<u>(32,882)</u>
Statement of Activities property tax revenues	<u>\$ 6,415,759</u>

NOTE 7: DEPOSITS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$27,357,557.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits restricted by state statutes and Bond Orders:

Debt Service Fund

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

Cash	\$ 124,065
Temporary investments	<u>3,902,326</u>
	<u>\$ 4,026,391</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 347
Temporary investments	<u>18,039,188</u>
	<u>\$ 18,039,535</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below.

At May 31, 2024, the District had physical damage and boiler and machinery coverage of \$9,151,293, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution coverage of \$1,000,000, automobile liability coverage of \$1,000,000 and consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$25,000.

NOTE 9: LEASES

On February 2, 2015, the District and AUC Group, L.P. entered into an agreement for the lease of Expansion Equipment (the "Equipment") for the Sewage Treatment Plant (the "Plant"). The lessor is the owner of the Equipment and the District is responsible for repairs and maintenance and other operating expenditures of the Equipment. The original term of the lease is 60 months at a rate of \$6,250 per month, after which the lease automatically extends to a month-to-month term at the rate of \$5,500 per month. The 60 month term began on October 1, 2015. The District accrued lease costs of \$66,000 for the fiscal year ended May 31, 2024. At this date, the District had prepaid \$11,000 for two month's lease payments and \$6,250 as a deposit for the last month's lease payment.

On June 20, 2018, the District and AUC Group, L.P. entered into an agreement for the lease of Additional Expansion Equipment (the "Additional Equipment") for the Plant. The lessor is the owner of the Additional Equipment and the District is responsible for repairs and maintenance and other operating expenditures of the Additional Equipment. The original term of the lease is 60 months at a rate of \$1,150 per month, after which the lease automatically extends to a month-to-month term at the rate of \$800 per month. The 60 month term began on March 1, 2019. The District accrued lease costs of \$12,750 for the fiscal year ended May 31, 2024. At this date, the District had prepaid \$1,600 for two month's lease payments and \$1,150 as a deposit for the last month's lease payment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**NOTE 10: REGIONAL WATER AUTHORITY**

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of May 31, 2024, the Authority had established a well pumpage fee of \$3.95 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$4.35 per 1,000 gallons of surface water purchased from the Authority. The surface water fees payable by the District to the Authority for the fiscal year ended May 31, 2024, were \$796,604. The District billed its customers \$716,712 during the fiscal year to pay for the fees charged by the Authority.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 1,745,489	\$ 1,745,489	\$ 1,952,095	\$ 206,606
Water service	396,312	396,312	446,011	49,699
Sewer service	777,961	777,961	788,645	10,684
Surface water fees	600,000	600,000	716,712	116,712
Penalty	30,000	30,000	55,925	25,925
Tap connection and sewer inspection fees	50,400	50,400	104,763	54,363
Interest on deposits	120,000	120,000	263,046	143,046
Other	34,200	34,200	16,473	(17,727)
TOTAL REVENUES	3,754,362	3,754,362	4,343,670	589,308
EXPENDITURES				
Service operations:				
Professional fees	150,954	150,954	235,636	84,682
Contracted services	118,600	118,600	125,069	6,469
Utilities	180,000	180,000	150,999	(29,001)
Surface water pumpage fees	660,000	660,000	796,604	136,604
Lease of sewage plant	79,800	79,800	78,750	(1,050)
Repairs and maintenance	638,989	638,989	675,501	36,512
Other operating expenditures	284,900	284,900	483,732	198,832
Security services	150,000	150,000	147,818	(2,182)
Garbage disposal	401,464	401,464	397,269	(4,195)
Administrative expenditures	111,549	111,549	136,769	25,220
Capital outlay	42,000	42,000	407,864	365,864
TOTAL EXPENDITURES	2,818,256	2,818,256	3,636,011	817,755
EXCESS REVENUES (EXPENDITURES)	936,106	936,106	707,659	(228,447)
FUND BALANCE, BEGINNING OF YEAR	4,785,632	4,785,632	4,785,632	0
FUND BALANCE, END OF YEAR	\$ 5,721,738	\$ 5,721,738	\$ 5,493,291	\$ (228,447)

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITYMAY 31, 2024

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

SCHEDULE OF SERVICES AND RATES

MAY 31, 2024

1. Services Provided by the District:

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$14.00	6,000	N	\$1.25	6,001 to 10,000
				1.50	10,001 to 15,000
				1.75	15,001 to 20,000
				2.00	Over 20,000
WASTEWATER:	\$39.87	0	Y	Not Applicable	Not Applicable
SURCHARGE:	\$3.95 per 1,000 gallons of water used. – WHCRWA surface water fees.				

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$19.00 Wastewater: \$39.87 Surcharge: \$39.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432
SCHEDULE OF SERVICES AND RATES (Continued)
MAY 31, 2024

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	1,728	1,712	1.0	1,712
1"	15	15	2.5	38
1-1/2"	3	3	5.0	15
2"	18	18	8.0	144
3"	0	0	15.0	0
4"	2	2	25.0	50
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	1,766	1,750		1,959
Total Wastewater	1,730	1,714	1.0	1,714

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

Gallons pumped into system (unaudited): 200,174
Gallons billed to customers (unaudited): 187,805

Water Accountability Ratio
(Gallons billed/ gallons pumped): 94%

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

EXPENDITURES

FOR THE YEAR ENDED MAY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,950	\$	\$ 8,270	\$ 10,950
Legal	203,726	24,220		236,216
Engineering	20,960			20,960
	<u>235,636</u>	<u>24,220</u>	<u>8,270</u>	<u>268,126</u>
Contracted services:				
Bookkeeping	26,743			26,743
Operation and billing	98,326			98,326
Tax assessor-collector		29,055		29,055
Central appraisal district		53,054		53,054
	<u>125,069</u>	<u>82,109</u>	<u>0</u>	<u>207,178</u>
Utilities	<u>150,999</u>	<u>0</u>	<u>0</u>	<u>150,999</u>
Surface water pumpage fees	<u>796,604</u>	<u>0</u>	<u>0</u>	<u>796,604</u>
Lease of sewer plant	<u>78,750</u>	<u>0</u>	<u>0</u>	<u>78,750</u>
Repairs and maintenance	<u>675,501</u>	<u>0</u>	<u>0</u>	<u>675,501</u>
Other operating expenditures:				
Sludge hauling	344,986			344,986
Chemicals	26,150			26,150
Laboratory costs	30,501			30,501
Inspection costs	51,828			51,828
Reconnection costs	25,309			25,309
TCEQ assessment	4,116			4,116
Telephone	842			842
	<u>483,732</u>	<u>0</u>	<u>0</u>	<u>483,732</u>
Security service	<u>147,818</u>	<u>0</u>	<u>0</u>	<u>147,818</u>
Garbage disposal	<u>397,269</u>	<u>0</u>	<u>0</u>	<u>397,269</u>
Administrative expenditures:				
Director's fees	11,729			11,729
Office supplies and postage	80,406			80,406
Insurance	27,409			27,409
Permit fees	6,449			6,449
Other	10,776	5,683		16,459
	<u>136,769</u>	<u>5,683</u>	<u>0</u>	<u>142,452</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432EXPENDITURES (Continued)FOR THE YEAR ENDED MAY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 339,921	\$	\$ 6,652,209	\$ 6,992,130
Tap connection costs	67,943			67,943
	<u>407,864</u>	<u>0</u>	<u>6,652,209</u>	<u>7,060,073</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>1,890,000</u>	<u>0</u>	<u>1,890,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>1,293,258</u>	<u>1,293,258</u>
Interest and fees:				
Interest		1,789,560	394,988	2,184,548
Paying agent fees		6,150		6,150
	<u>0</u>	<u>1,795,710</u>	<u>394,988</u>	<u>2,190,698</u>
TOTAL EXPENDITURES	<u>\$ 3,636,011</u>	<u>\$ 3,797,722</u>	<u>\$ 8,348,725</u>	<u>\$ 15,782,458</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

FOR THE YEAR ENDED MAY 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 2,413,334	\$ 4,643,056	\$ 767,710	\$ 7,824,100
Maintenance tax receipts		1,952,095		1,952,095
Transfer of maintenance taxes	1,964,731			1,964,731
Proceeds from sale of bonds			20,229,569	20,229,569
Increase in customer deposits	13,893			13,893
Reimbursement from other fund			171,729	171,729
Overpayments from taxpayers		<u>65,255</u>		<u>65,255</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>4,391,958</u>	<u>6,660,406</u>	<u>21,169,008</u>	<u>32,221,372</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	3,174,811	87,743	8,270	3,270,824
Capital outlay	287,386		4,658,091	4,945,477
Debt service		3,685,710	1,688,246	5,373,956
Prepaid expenditures	39,760			39,760
Other fund			5,506	5,506
Reimbursement to other fund	171,729			171,729
Bon Anticipation Note repayment			2,790,000	2,790,000
Transfer of maintenance taxes		1,964,731		1,964,731
Refund of taxpayer overpayments		<u>65,186</u>		<u>65,186</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>3,673,686</u>	<u>5,803,370</u>	<u>9,150,113</u>	<u>18,627,169</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	718,272	857,036	12,018,895	13,594,203
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>5,116,003</u>	<u>3,169,355</u>	<u>6,020,640</u>	<u>14,305,998</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 5,834,275</u>	<u>\$ 4,026,391</u>	<u>\$18,039,535</u>	<u>\$27,900,201</u>

See accompanying independent auditor's report

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432SCHEDULE OF TEMPORARY INVESTMENTSFOR THE YEAR ENDED MAY 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 7935300001	Market	On demand	<u>\$ 5,416,043</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 7935300003	Market	On demand	<u>\$ 3,902,326</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 7935300002	Market	On demand	\$ 5,913,602	\$ 0
No. 7935300004	Market	On demand	351,152	0
No. 7935300005	Market	On demand	6,345	0
No. 7935300007	Market	On demand	8,260,830	0
No. 7935300008	Market	On demand	2,499,149	0
No. 7935300009	Market	On demand	<u>1,008,110</u>	<u>0</u>
			<u>\$ 18,039,188</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 27,357,557</u>	<u>\$ 0</u>

See accompanying independent auditor's report

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED MAY 31, 2024

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 23,933	\$ 50,588
Additions and corrections to prior year taxes	<u>(9,811)</u>	<u>(23,071)</u>
Adjusted receivable, beginning of year	14,122	27,517
2023 ADJUSTED TAX ROLL	<u>1,967,382</u>	<u>4,481,259</u>
Total to be accounted for	1,981,504	4,508,776
Tax collections: Current tax year	(1,946,276)	(4,433,183)
Prior tax years	<u>(5,819)</u>	<u>(13,130)</u>
RECEIVABLE, END OF YEAR	<u>\$ 29,409</u>	<u>\$ 62,463</u>
RECEIVABLE BY TAX YEAR		
2017	\$ 237	\$ 301
2018	0	0
2019	1,092	1,196
2020	2,070	3,311
2021	2,315	3,585
2022	2,589	5,994
2023	<u>21,106</u>	<u>48,076</u>
RECEIVABLE, END OF YEAR	<u>\$ 29,409</u>	<u>\$ 62,463</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED MAY 31, 2024

ADJUSTED PROPERTY VALUATIONS
AS OF JANUARY 1 OF TAX YEAR

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 136,019,417	\$ 103,689,832	\$ 81,274,288	\$ 70,179,431
Improvements	511,716,998	439,774,024	319,485,586	274,804,771
Personal property	6,609,127	6,813,761	3,838,527	2,992,024
Less exemptions	<u>(107,850,578)</u>	<u>(85,142,671)</u>	<u>(31,296,977)</u>	<u>(29,359,593)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 546,494,964</u>	<u>\$ 465,134,946</u>	<u>\$ 373,301,424</u>	<u>\$ 318,616,633</u>

TAX RATES PER \$100 VALUATION

Debt service tax rates	\$ 0.82000	\$ 0.88000	\$ 0.79000	\$ 0.80000
Maintenance tax rates*	<u>0.36000</u>	<u>0.38000</u>	<u>0.51000</u>	<u>0.50000</u>

TOTAL TAX RATES PER
\$100 VALUATION

<u>\$ 1.18000</u>	<u>\$ 1.26000</u>	<u>\$ 1.30000</u>	<u>\$ 1.30000</u>
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TAX ROLLS

<u>\$ 6,448,641</u>	<u>\$ 5,860,701</u>	<u>\$ 4,852,919</u>	<u>\$ 4,142,017</u>
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PERCENT OF TAXES COLLECTED
TO TAXES LEVIED

<u>98.9 %</u>	<u>99.9 %</u>	<u>99.9 %</u>	<u>99.9 %</u>
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*Maximum tax rate approved by voters on September 19, 2005: \$1.50

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
FOR THE YEAR ENDED MAY 31, 2024

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2014</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 75,000	\$ 60,500	\$ 135,500
2026	75,000	58,062	133,062
2027	80,000	55,625	135,625
2028	85,000	52,825	137,825
2029	90,000	49,744	139,744
2030	95,000	46,368	141,368
2031	100,000	42,806	142,806
2032	100,000	39,056	139,056
2033	105,000	35,182	140,182
2034	110,000	31,112	141,112
2035	120,000	26,712	146,712
2036	125,000	21,912	146,912
2037	130,000	16,912	146,912
2038	135,000	11,550	146,550
2039	145,000	5,982	150,982
TOTALS	<u>\$ 1,570,000</u>	<u>\$ 554,348</u>	<u>\$ 2,124,348</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2015</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 105,000	\$ 91,830	\$ 196,830
2026	110,000	88,418	198,418
2027	115,000	84,677	199,677
2028	120,000	80,652	200,652
2029	125,000	76,273	201,273
2030	130,000	71,585	201,585
2031	135,000	66,385	201,385
2032	140,000	60,985	200,985
2033	145,000	55,245	200,245
2034	150,000	49,300	199,300
2035	160,000	43,300	203,300
2036	165,000	36,900	201,900
2037	175,000	30,135	205,135
2038	180,000	22,960	202,960
2039	185,000	15,580	200,580
2040	195,000	7,995	202,995
TOTALS	<u>\$ 2,335,000</u>	<u>\$ 882,220</u>	<u>\$ 3,217,220</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2016		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 210,000	\$ 124,725	\$ 334,725
2026	215,000	120,525	335,525
2027	225,000	116,225	341,225
2028	230,000	111,725	341,725
2029	240,000	105,975	345,975
2030	245,000	99,975	344,975
2031	255,000	93,850	348,850
2032	265,000	87,475	352,475
2033	270,000	80,850	350,850
2034	280,000	73,425	353,425
2035	290,000	65,725	355,725
2036	300,000	57,750	357,750
2037	310,000	49,500	359,500
2038	320,000	40,200	360,200
2039	330,000	30,600	360,600
2040	340,000	20,700	360,700
2041	350,000	10,500	360,500
TOTALS	<u>\$ 4,675,000</u>	<u>\$ 1,289,725</u>	<u>\$ 5,964,725</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2017</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 215,000	\$ 152,950	\$ 367,950
2026	220,000	144,350	364,350
2027	220,000	139,400	359,400
2028	225,000	133,900	358,900
2029	225,000	128,275	353,275
2030	225,000	122,088	347,088
2031	225,000	115,338	340,338
2032	235,000	108,588	343,588
2033	245,000	101,538	346,538
2034	245,000	94,188	339,188
2035	245,000	86,532	331,532
2036	250,000	78,568	328,568
2037	315,000	70,444	385,444
2038	325,000	59,812	384,812
2039	335,000	48,844	383,844
2040	350,000	37,537	387,537
2041	360,000	25,724	385,724
2042	375,000	13,124	388,124
TOTALS	<u>\$ 4,835,000</u>	<u>\$ 1,661,200</u>	<u>\$ 6,496,200</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2018</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 210,000	\$ 199,068	\$ 409,068
2026	220,000	189,618	409,618
2027	225,000	183,018	408,018
2028	235,000	176,268	411,268
2029	245,000	169,218	414,218
2030	255,000	161,562	416,562
2031	265,000	153,276	418,276
2032	275,000	144,332	419,332
2033	285,000	135,050	420,050
2034	295,000	125,076	420,076
2035	305,000	114,750	419,750
2036	315,000	104,076	419,076
2037	330,000	93,050	423,050
2038	340,000	81,500	421,500
2039	355,000	69,600	424,600
2040	370,000	56,732	426,732
2041	385,000	43,318	428,318
2042	395,000	29,362	424,362
2043	415,000	15,044	430,044
TOTALS	<u>\$ 5,720,000</u>	<u>\$ 2,243,918</u>	<u>\$ 7,963,918</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2019		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 155,000	\$ 146,794	\$ 301,794
2026	160,000	142,144	302,144
2027	165,000	137,343	302,343
2028	175,000	132,394	307,394
2029	185,000	127,144	312,144
2030	190,000	121,594	311,594
2031	200,000	115,893	315,893
2032	210,000	109,894	319,894
2033	220,000	103,594	323,594
2034	230,000	96,994	326,994
2035	240,000	90,094	330,094
2036	250,000	82,893	332,893
2037	260,000	75,394	335,394
2038	275,000	67,594	342,594
2039	285,000	59,344	344,344
2040	300,000	50,794	350,794
2041	315,000	41,793	356,793
2042	330,000	32,344	362,344
2043	345,000	22,031	367,031
2044	360,000	11,250	371,250
TOTALS	<u>\$ 4,850,000</u>	<u>\$ 1,767,319</u>	<u>\$ 6,617,319</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2019 Refunding		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 130,000	\$ 70,800	\$ 200,800
2026	140,000	66,900	206,900
2027	145,000	62,700	207,700
2028	150,000	58,350	208,350
2029	150,000	53,850	203,850
2030	160,000	49,350	209,350
2031	165,000	44,550	209,550
2032	170,000	39,600	209,600
2033	175,000	34,500	209,500
2034	185,000	29,250	214,250
2035	185,000	23,700	208,700
2036	195,000	18,150	213,150
2037	200,000	12,300	212,300
2038	210,000	6,300	216,300
TOTALS	<u>\$ 2,360,000</u>	<u>\$ 570,300</u>	<u>\$ 2,930,300</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2020		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 225,000	\$ 139,062	\$ 364,062
2026	230,000	128,938	358,938
2027	235,000	120,888	355,888
2028	235,000	116,187	351,187
2029	240,000	111,488	351,488
2030	245,000	106,688	351,688
2031	255,000	101,787	356,787
2032	255,000	96,688	351,688
2033	260,000	91,588	351,588
2034	270,000	86,388	356,388
2035	275,000	80,987	355,987
2036	285,000	75,488	360,488
2037	230,000	69,788	299,788
2038	230,000	64,900	294,900
2039	325,000	60,012	385,012
2040	340,000	52,700	392,700
2041	355,000	45,050	400,050
2042	370,000	37,062	407,062
2043	385,000	28,737	413,737
2044	405,000	19,594	424,594
2045	420,000	9,975	429,975
TOTALS	<u>\$ 6,070,000</u>	<u>\$ 1,643,995</u>	<u>\$ 7,713,995</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2021		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 100,000	\$ 60,438	\$ 160,438
2026	100,000	58,437	158,437
2027	105,000	56,438	161,438
2028	110,000	54,862	164,862
2029	110,000	53,212	163,212
2030	115,000	51,562	166,562
2031	120,000	49,838	169,838
2032	125,000	48,038	173,038
2033	125,000	46,006	171,006
2034	130,000	43,974	173,974
2035	135,000	41,700	176,700
2036	140,000	39,338	179,338
2037	145,000	36,538	181,538
2038	150,000	33,638	183,638
2039	155,000	30,450	185,450
2040	160,000	27,156	187,156
2041	165,000	23,756	188,756
2042	170,000	20,250	190,250
2043	175,000	16,424	191,424
2044	180,000	12,488	192,488
2045	185,000	8,438	193,438
2046	190,000	4,274	194,274
TOTALS	<u>\$ 3,090,000</u>	<u>\$ 817,255</u>	<u>\$ 3,907,255</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2021A Park		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 60,000	\$ 39,775	\$ 99,775
2026	60,000	37,225	97,225
2027	65,000	34,675	99,675
2028	65,000	33,537	98,537
2029	70,000	32,400	102,400
2030	70,000	31,175	101,175
2031	70,000	29,950	99,950
2032	75,000	28,725	103,725
2033	75,000	27,225	102,225
2034	80,000	25,725	105,725
2035	80,000	24,125	104,125
2036	85,000	22,525	107,525
2037	90,000	20,825	110,825
2038	90,000	19,025	109,025
2039	95,000	17,225	112,225
2040	95,000	15,325	110,325
2041	100,000	13,425	113,425
2042	105,000	11,425	116,425
2043	105,000	9,325	114,325
2044	110,000	7,225	117,225
2045	115,000	4,887	119,887
2046	115,000	2,444	117,444
TOTALS	<u>\$ 1,875,000</u>	<u>\$ 488,193</u>	<u>\$ 2,363,193</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2022		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 225,000	\$ 260,538	\$ 485,538
2026	235,000	251,537	486,537
2027	240,000	242,138	482,138
2028	250,000	232,537	482,537
2029	255,000	222,538	477,538
2030	265,000	212,337	477,337
2031	275,000	201,738	476,738
2032	280,000	190,737	470,737
2033	290,000	182,338	472,338
2034	300,000	173,637	473,637
2035	310,000	164,638	474,638
2036	320,000	155,337	475,337
2037	330,000	145,738	475,738
2038	340,000	135,838	475,838
2039	350,000	125,212	475,212
2040	365,000	114,275	479,275
2041	375,000	101,500	476,500
2042	390,000	88,375	478,375
2043	400,000	74,725	474,725
2044	415,000	60,725	475,725
2045	425,000	46,200	471,200
2046	440,000	31,325	471,325
2047	455,000	15,925	470,925
TOTALS	<u>\$ 7,530,000</u>	<u>\$ 3,429,888</u>	<u>\$ 10,959,888</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2023		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 325,000	\$ 605,263	\$ 930,263
2026	340,000	585,312	925,312
2027	360,000	564,313	924,313
2028	375,000	542,262	917,262
2029	395,000	519,163	914,163
2030	415,000	494,862	909,862
2031	430,000	473,813	903,813
2032	455,000	456,112	911,112
2033	475,000	437,513	912,513
2034	500,000	418,012	918,012
2035	525,000	397,513	922,513
2036	550,000	376,012	926,012
2037	575,000	353,513	928,513
2038	605,000	329,912	934,912
2039	635,000	305,113	940,113
2040	665,000	279,112	944,112
2041	695,000	251,913	946,913
2042	730,000	223,412	953,412
2043	765,000	193,513	958,513
2044	805,000	162,112	967,112
2045	840,000	129,213	969,213
2046	885,000	94,712	979,712
2047	925,000	58,513	983,513
2048	970,000	20,006	990,006
TOTALS	<u>\$ 14,240,000</u>	<u>\$ 8,271,194</u>	<u>\$ 22,511,194</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2024		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 80,000	\$ 162,877	\$ 242,877
2026	85,000	154,475	239,475
2027	90,000	150,225	240,225
2028	95,000	145,725	240,725
2029	100,000	140,975	240,975
2030	105,000	135,975	240,975
2031	110,000	130,725	240,725
2032	115,000	126,325	241,325
2033	125,000	121,725	246,725
2034	130,000	116,725	246,725
2035	135,000	111,525	246,525
2036	145,000	106,125	251,125
2037	150,000	100,325	250,325
2038	160,000	94,325	254,325
2039	170,000	87,925	257,925
2040	180,000	81,125	261,125
2041	185,000	73,925	258,925
2042	195,000	66,525	261,525
2043	210,000	58,725	268,725
2044	220,000	50,325	270,325
2045	230,000	41,250	271,250
2046	245,000	31,762	276,762
2047	255,000	21,656	276,656
2048	270,000	11,138	281,138
TOTALS	<u>\$ 3,785,000</u>	<u>\$ 2,322,408</u>	<u>\$ 6,107,408</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

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

MAY 31, 2024

Due During Fiscal Years Ending May 31	Series 2024 Park		
	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 50,000	\$ 105,874	\$ 155,874
2026	55,000	100,512	155,512
2027	60,000	97,763	157,763
2028	60,000	94,762	154,762
2029	65,000	91,763	156,763
2030	70,000	88,512	158,512
2031	70,000	85,013	155,013
2032	75,000	82,212	157,212
2033	80,000	79,113	159,113
2034	85,000	76,012	161,012
2035	90,000	72,613	162,613
2036	95,000	69,012	164,012
2037	100,000	65,213	165,213
2038	105,000	61,212	166,212
2039	110,000	57,013	167,013
2040	115,000	52,612	167,612
2041	120,000	48,013	168,013
2042	130,000	43,212	173,212
2043	135,000	38,013	173,013
2044	145,000	32,612	177,612
2045	150,000	26,812	176,812
2046	160,000	20,626	180,626
2047	165,000	14,026	179,026
2048	175,000	7,218	182,218
TOTALS	<u>\$ 2,465,000</u>	<u>\$ 1,509,743</u>	<u>\$ 3,974,743</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MAY 31, 2024

Due During Fiscal Years Ending May 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2025	\$ 2,165,000	\$ 2,220,494	\$ 4,385,494
2026	2,245,000	2,126,453	4,371,453
2027	2,330,000	2,045,428	4,375,428
2028	2,410,000	1,965,986	4,375,986
2029	2,495,000	1,882,018	4,377,018
2030	2,585,000	1,793,633	4,378,633
2031	2,675,000	1,704,962	4,379,962
2032	2,775,000	1,618,767	4,393,767
2033	2,875,000	1,531,467	4,406,467
2034	2,990,000	1,439,818	4,429,818
2035	3,095,000	1,343,914	4,438,914
2036	3,220,000	1,244,086	4,464,086
2037	3,340,000	1,139,675	4,479,675
2038	3,465,000	1,028,766	4,493,766
2039	3,475,000	912,900	4,387,900
2040	3,475,000	796,063	4,271,063
2041	3,405,000	678,917	4,083,917
2042	3,190,000	565,091	3,755,091
2043	2,935,000	456,537	3,391,537
2044	2,640,000	356,331	2,996,331
2045	2,365,000	266,775	2,631,775
2046	2,035,000	185,143	2,220,143
2047	1,800,000	110,120	1,910,120
2048	1,415,000	38,362	1,453,362
TOTALS	<u>\$ 65,400,000</u>	<u>\$ 27,451,706</u>	<u>\$ 92,851,706</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED MAY 31, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2014	2015	2016	2017
Interest Rate:	3.25% to 4.125%	3.25% to 4.10%	2.00% to 3.00%	2.25% to 4.00%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	March 1, 2025/2039	March 1, 2025/2040	March 1, 2025/2041	March 1, 2025/2042
Bonds Outstanding at Beginning of Current Year	\$ 1,640,000	\$ 2,435,000	\$ 4,875,000	\$ 5,055,000
Less Retirements	<u>(70,000)</u>	<u>(100,000)</u>	<u>(200,000)</u>	<u>(220,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,570,000</u>	<u>\$ 2,335,000</u>	<u>\$ 4,675,000</u>	<u>\$ 4,835,000</u>
Current Year Interest Paid	<u>\$ 62,688</u>	<u>\$ 94,930</u>	<u>\$ 128,725</u>	<u>\$ 161,750</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2014 (\$2,100,000)
- (2) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2015 (\$3,075,000)
- (3) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2016 (\$6,115,000)
- (4) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2017 (\$6,350,000)

Paying Agent/Registrar

- (1) (2) (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Park and Recreation Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 120,000,000	\$ 10,000,000	\$ 0
Amount Issued:	71,275,000	4,510,000	
Remaining to be Issued:	48,725,000	5,490,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED MAY 31, 2024

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>
Bond Series:	2018	2019	2019 Ref.	2020
Interest Rate:	3.00% to 4.50%	3.00% to 3.125%	3.00%	2.00% to 4.50%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	March 1, 2025/2043	March 1, 2025/2044	March 1, 2025/2038	March 1, 2025/2045
Bonds Outstanding at Beginning of Current Year	\$ 5,920,000	\$ 4,995,000	\$ 2,555,000	\$ 6,225,000
Less Retirements	<u>(200,000)</u>	<u>(145,000)</u>	<u>(195,000)</u>	<u>(155,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 5,720,000</u>	<u>\$ 4,850,000</u>	<u>\$ 2,360,000</u>	<u>\$ 6,070,000</u>
Current Year Interest Paid	<u>\$ 208,069</u>	<u>\$ 151,144</u>	<u>\$ 76,650</u>	<u>\$ 146,038</u>

Bond Descriptions and Original Amount of Issue

- (5) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2018 (\$6,785,000)
- (6) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2019 (\$5,395,000)
- (7) Harris County Municipal Utility District No. 432 Unlimited Tax Refunding Bonds, Series 2019 (\$2,920,000)
- (8) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2020 (\$6,630,000)

Paying Agent/Registrar

- (5) (6) (7) (8) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED MAY 31, 2024

	<u>(9)</u>	<u>(10)</u>	<u>(11)</u>	<u>(12)</u>
Bond Series:	2021	2021A	2022	2023
Interest Rate:	1.50% to 2.25%	1.75% to 4.25%	3.00% to 4.00%	4.00% to 6.00%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	March 1, 2025/2046	March 1, 2025/2046	March 1, 2025/2047	March 1, 2025/2048
Bonds Outstanding at Beginning of Current Year	\$ 3,185,000	\$ 1,935,000	\$ 7,750,000	\$
Add Bonds Sold				14,470,000
Less Retirements	<u>(95,000)</u>	<u>(60,000)</u>	<u>(220,000)</u>	<u>(230,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,090,000</u>	<u>\$ 1,875,000</u>	<u>\$ 7,530,000</u>	<u>\$ 14,240,000</u>
Current Year Interest Paid	<u>\$ 62,337</u>	<u>\$ 42,325</u>	<u>\$ 267,137</u>	<u>\$ 387,767</u>

Bond Descriptions and Original Amount of Issue

(9) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2021 (\$3,365,000)

(10) Harris County Municipal Utility District No. 432 Unlimited Tax Park Bonds, Series 2021A (\$2,045,000)

(11) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2022 (\$7,925,000)

(12) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2023 (\$14,470,000)

Paying Agent/Registrar

(9) (10) (11) (12) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED MAY 31, 2024

	<u>(13)</u>	<u>(14)</u>	<u>Totals</u>
Bond Series:	2024	2024 Park	
Interest Rate:	4.00% to 5.00%	4.00% to 5.00%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	
Maturity Dates:	March 1, 2025/2048	March 1, 2025/2048	
Bonds Outstanding at Beginning of Current Year	\$	\$	\$ 46,570,000
Add Bonds Sold	3,785,000	2,465,000	20,720,000
Less Retirements	<u> </u>	<u> </u>	<u>(1,890,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,785,000</u>	<u>\$ 2,465,000</u>	<u>\$ 65,400,000</u>
Current Year Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,789,560</u>

Bond Descriptions and Original Amount of Issue

(13) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2024 (\$3,785,000)

(14) Harris County Municipal Utility District No. 432 Unlimited Tax Park Bonds, Series 2024 (\$2,465,000)

Paying Agent/Registrar

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

Net Debt Service Fund deposits and investments balances as of May 31, 2024:	\$3,984,493
Average annual debt service payment for remaining term of all debt:	3,868,821

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 1,952,095	\$ 1,808,631	\$ 1,869,046	\$ 1,600,838	\$ 1,730,878	44.8 %	52.6 %	52.6 %	48.7 %	54.8 %
Water service	446,011	419,636	370,725	361,886	311,347	10.3	10.4	10.4	11.0	9.8
Sewer service	788,645	735,839	677,810	620,598	561,471	18.2	19.1	19.1	18.9	17.8
Surface water fees	716,712	645,737	496,898	486,535	368,183	16.5	14.0	14.0	14.8	11.6
Penalty	55,925	33,150	26,259	23,242	21,924	1.3	0.7	0.7	0.7	0.7
Tap connection and sewer inspection fees	104,763	64,125	84,800	170,515	120,600	2.4	2.4	2.4	5.2	3.8
Interest on deposits	263,046	142,901	4,186	2,370	31,083	6.1	0.1	0.1	0.1	1.0
Other	16,473	20,906	25,966	19,654	16,995	0.4	0.7	0.7	0.6	0.5
TOTAL REVENUES	<u>4,343,670</u>	<u>3,870,925</u>	<u>3,555,690</u>	<u>3,285,638</u>	<u>3,162,481</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Service operations:										
Professional fees	235,636	240,790	202,802	215,943	207,717	5.4	5.7	5.7	6.6	6.6
Contracted services	125,069	120,894	119,051	122,002	105,803	2.9	3.3	3.3	3.7	3.3
Utilities	150,999	152,107	124,232	291,170	93,042	3.5	3.5	3.5	8.9	2.9
Surface water pumpage fees	796,604	668,174	527,838	487,481	391,256	18.4	14.8	14.8	14.8	12.4
Lease of sewage plant	78,750	79,800	79,800	82,800	88,800	1.8	2.2	2.2	2.5	2.8
Repairs and maintenance	675,501	586,761	502,976	423,725	542,452	15.6	14.1	14.1	12.9	17.2
Other operating expenditures	483,732	288,831	211,942	221,210	189,119	11.1	6.0	6.0	6.7	6.0
Security service	147,818	76,792	74,367	73,006	70,069	3.4	2.1	2.1	2.2	2.2
Garbage disposal	397,269	353,634	318,278	275,688	246,940	9.1	9.0	9.0	8.4	7.8
Administrative expenditures	136,769	112,982	98,085	91,538	88,274	3.1	2.8	2.8	2.8	2.8
Debt service	0	0	0	0	1,145,965	0.0	0.0	0.0	0.0	36.2
Capital outlay	407,864	45,531	220,178	619,435	227,398	9.4	6.2	6.2	18.9	7.2
TOTAL EXPENDITURES	<u>3,636,011</u>	<u>2,726,296</u>	<u>2,479,549</u>	<u>2,903,998</u>	<u>3,396,835</u>	<u>83.7</u>	<u>69.7</u>	<u>69.7</u>	<u>88.4</u>	<u>107.4</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 707,659</u>	<u>\$ 1,144,629</u>	<u>\$ 1,076,141</u>	<u>\$ 381,640</u>	<u>\$ (234,354)</u>	<u>16.3 %</u>	<u>30.3 %</u>	<u>30.3 %</u>	<u>11.6 %</u>	<u>(7.4) %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,750</u>	<u>1,628</u>	<u>1,569</u>	<u>1,479</u>	<u>1,331</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,714</u>	<u>1,596</u>	<u>1,540</u>	<u>1,452</u>	<u>1,304</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 4,446,313	\$ 4,150,766	\$ 2,894,646	\$ 2,549,843	\$ 1,903,137	95.8 %	97.4 %	99.0 %	98.3 %	98.0 %
Penalty and interest	29,857	30,230	26,564	28,500	9,704	0.6	0.7	0.9	1.1	0.5
Accrued interest on bonds received at date of sale	0	0	0	12,035	7,662	0.0	0.0	0.0	0.5	0.4
Interest on deposits and investments and other	<u>166,886</u>	<u>80,351</u>	<u>2,016</u>	<u>1,327</u>	<u>21,233</u>	<u>3.6</u>	<u>1.9</u>	<u>0.1</u>	<u>0.1</u>	<u>1.1</u>
TOTAL REVENUES	<u>4,643,056</u>	<u>4,261,347</u>	<u>2,923,226</u>	<u>2,591,705</u>	<u>1,941,736</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	24,220	9,025	9,701	15,175	9,240	0.5	0.2	0.3	0.6	0.5
Contracted services	82,109	64,476	55,998	51,714	44,809	1.8	1.5	1.9	2.0	2.3
Other expenditures	5,683	11,246	9,613	5,667	4,398	0.1	0.3	0.3	0.2	0.2
Debt service:										
Principal retirement	1,890,000	1,560,000	1,345,000	1,160,000	895,000	40.7	36.6	46.1	44.8	46.1
Interest and fees	<u>1,795,710</u>	<u>1,426,486</u>	<u>1,213,823</u>	<u>1,101,805</u>	<u>997,761</u>	<u>38.7</u>	<u>33.5</u>	<u>41.5</u>	<u>42.5</u>	<u>51.4</u>
TOTAL EXPENDITURES	<u>3,797,722</u>	<u>3,071,233</u>	<u>2,634,135</u>	<u>2,334,361</u>	<u>1,951,208</u>	<u>81.8</u>	<u>72.1</u>	<u>90.1</u>	<u>90.1</u>	<u>100.5</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 845,334</u>	<u>\$ 1,190,114</u>	<u>\$ 289,091</u>	<u>\$ 257,344</u>	<u>\$ (9,472)</u>	<u>18.2 %</u>	<u>27.9 %</u>	<u>9.9 %</u>	<u>9.9 %</u>	<u>(0.5) %</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSMAY 31, 2024

Complete District Mailing Address: Harris County Municipal Utility District No. 432
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77002

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: May 21, 2024

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Ken Suminski 46 Foxhall Crescent Dr. Sugar Land, Texas 77479	Elected 5/07/22- 5/02/26	\$ 3,394	\$ 318	President
Jeffrey Zarse 2942 Verdant Spring Trail Katy, Texas 77493	Elected 5/07/22- 5/02/26	3,615	1,183	Vice President
Dianne D. Migl 8312 Winningham Houston, Texas 77055	Elected 5/04/24- 5/06/28	2,581	116	Secretary
Matthew Weber 23702 Padauk Tree Trail Houston, Texas 77493	Appointed 6/21/22- 5/02/26	2,139	291	Assistant Secretary

Four directors at May 31, 2024.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

MAY 31, 2024

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	9/15/05	\$ 236,215 533,000 Bonds	Attorney
McLennan & Associates, L.P. 1717 St. James Place, Suite 500 Houston, Texas 77056	9/15/05	28,106 10,250 Bonds	Bookkeeper
Jorge Diaz 1717 St. James Place, Suite 500 Houston, Texas 77056	9/15/05	0	Investment Officer
Municipal Operations and Consulting, Inc. 27316 Spectrum Way Oak Ridge North, Texas 77385	11/20/06	671,426	Operator
R. G. Miller Engineers, Inc. 16340 Park Ten Place, Suite 350 Houston, Texas 77084	11/20/06	445,523 169,575 Bonds	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	9/15/05	33,887 5,000 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	53,054	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	3/18/15	419,354 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/16/09	10,950 10,850 Bonds	Independent Auditor

See accompanying independent auditor's report.