

OFFICIAL STATEMENT DATED AUGUST 21, 2025

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS” HEREIN.

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P “AA” (stable outlook)
 Underlying Rating: Moody’s “Baa2”
 See “MUNICIPAL BOND RATING” and
 “MUNICIPAL BOND INSURANCE” herein.

\$7,900,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2025

Dated Date: September 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar”). Interest accrues from the initial date of delivery (expected on or about September 25, 2025) (the “Date of Delivery”) and is payable March 1, 2026 and each September 1 and March 1 thereafter until the earlier of maturity or redemption on the basis of a 360-day year of twelve 30-day months.

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



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

MATURITY SCHEDULE

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2027	\$ 950,000	6.50 %	2.85 %	41422N EH2	2040	\$ 250,000 (c)	4.00 %	4.65 %	41422N EW9
2028	950,000	6.50	2.90	41422N EJ8	2041	250,000 (c)	4.00	4.80	41422N EX7
2029	250,000	6.50	2.95	41422N EK5	2042	250,000 (c)	4.00	4.90	41422N EY5
2030	250,000	6.50	3.00	41422N EL3	2043	250,000 (c)	4.00	5.00	41422N EZ2
2031	250,000	6.50	3.15	41422N EM1	2044	250,000 (c)	4.00	5.05	41422N FA6
2032	250,000 (c)	6.50	3.30	41422N EN9	2045	250,000 (c)	4.00	5.10	41422N FB4
2033	250,000 (c)	6.50	3.45	41422N EP4	2046	250,000 (c)	4.00	5.15	41422N FC2
2034	250,000 (c)	5.50	3.60	41422N EQ2	2047	250,000 (c)	4.00	5.20	41422N FD0
2035	250,000 (c)	4.00	4.02	41422N ER0	2048	250,000 (c)	4.00	5.25	41422N FE8
2036	250,000 (c)	4.00	4.12	41422N ES8	2049	250,000 (c)	4.00	5.30	41422N FF5
2037	250,000 (c)	4.00	4.22	41422N ET6	***	***	***	***	***
2038	250,000 (c)	4.00	4.37	41422N EU3	2052	250,000 (c)	5.00	5.07	41422N FJ7
2039	250,000 (c)	4.00	4.50	41422N EV1					

\$500,000 Term Bonds due September 1, 2051 (c), 41422N FH1 (b), 4.00% Interest Rate, 5.35% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 421 (the “District”) and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. The Bonds are subject to special investment risks described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Certain legal matters will be passed on for the District by McCall, Parkhurst & Horton L.L.P. as Disclosure Counsel. Delivery of the Bonds through DTC is expected on or about September 25, 2025.

TABLE OF CONTENTS

MATURITY SCHEDULE	1
OFFICIAL STATEMENT SUMMARY	3
SELECTED FINANCIAL INFORMATION	6
THE BONDS	7
THE DISTRICT	14
MANAGEMENT	15
PRINCIPAL PROPERTY OWNERS	16
THE SYSTEM	17
USE AND DISTRIBUTION OF BOND PROCEEDS	19
BONDS AUTHORIZED BUT UNISSUED	20
FINANCIAL STATEMENT	20
ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT	21
TAX DATA	22
TAX PROCEDURES	24
WATER AND SEWER OPERATIONS	29
DEBT SERVICE REQUIREMENTS	30
INVESTMENT CONSIDERATIONS	31
LEGAL MATTERS	37
TAX MATTERS	38
MUNICIPAL BOND RATING	40
MUNICIPAL BOND INSURANCE	40
SALE AND DISTRIBUTION OF THE BONDS	42
PREPARATION OF OFFICIAL STATEMENT	42
CONTINUING DISCLOSURE OF INFORMATION	44
MISCELLANEOUS	45
AERIAL PHOTOGRAPH	46
PHOTOGRAPHS OF THE DISTRICT	47
FINANCIAL STATEMENT OF THE DISTRICT FOR THE FISCAL YEAR ENDED APRIL 30, 2024	APPENDIX A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY	APPENDIX B

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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, SEC Rule 15c2-12, as amended.

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE FINANCING

<i>The Issuer...</i>	Harris County Municipal Utility District No. 421 (the “District”), a political subdivision of the State of Texas, located in Harris County, Texas. See “THE DISTRICT.”
<i>The Issue...</i>	\$7,900,000 Harris County Municipal Utility District No. 421 Unlimited Tax Bonds, Series 2025 (the “Bonds”), dated September 1, 2025. The Bonds mature serially on September 1 in each of the years 2027 through 2049, both inclusive, and 2052, and as term bonds maturing on September 1, 2051 (the “Term Bonds”) in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from the date of delivery (expected on or about September 25, 2025) (the “Date of Delivery”), with interest payable March 1, 2026 and each September 1 and March 1 thereafter until maturity. See “THE BONDS.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2032 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Book-Entry-Only System...</i>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”
<i>Source of Payment...</i>	The Bonds are payable from a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Authority for Issuance...</i>	At elections held within the District on May 12, 2007 and November 6, 2007, the voters of the District authorized the issuance of a total of \$82,350,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities and for refunding outstanding bonds issued for such purposes. The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the Bonds (the “Bond Order”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) and the general laws of the State of Texas relative to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds will be used to finance (1) the surface water repump facility expansion; (2) the surface water repump facility rehabilitation; (3) a remote water well; (4) Northpoint detention pond rehabilitation; (5) lift station rehabilitation and (6) engineering fees. Bond proceeds will also be used to pay legal operating advances and certain costs associated with the issuance of the Bonds. See “THE SYSTEM” and “USE AND DISTRIBUTION OF BOND PROCEEDS.”

<i>Payment Record...</i>	The District has previously issued four series of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities in the principal amount of \$32,005,000, of which \$30,875,000 remains outstanding as of July 1, 2025 (the “Outstanding Bonds”). The District has never defaulted on the payment of principal and interest on the Outstanding Bonds.
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). Moody’s has assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Bond Counsel...</i>	Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas.
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.
<i>Investment Considerations...</i>	The purchase and ownership of the Bonds are subject to special risk factors, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by Order of the TCEQ on March 1, 2007, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended. The District is located in the northeastern portion of Harris County approximately 20 miles east-northeast of downtown Houston. The District lies approximately 0.5 miles southwest of Beltway 8/Sam Houston Parkway. Access to the District is provided by State Highway 90, which bisects the District, and Uvalde Road, east of the District. The District contains approximately 501 acres of land and is wholly within the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”
<i>Status of Development...</i>	<p>Approximately 76 acres in the District have been developed as Imperial Forest, a single-family residential community. Development in Imperial Forest currently includes Sections 1 through 4 consisting of 449 single-family residential lots. As of July 11, 2025, there were 449 completed homes (449 occupied) in the District. According to the 2024 tax rolls of the District, the average homestead value was approximately \$272,250.</p> <p>Approximately 256 acres of commercial land within the District are served with trunk utilities (which includes approximately 197 acres that have vertical improvements and approximately 23 acres that are under construction for an approximately 232,900 square foot industrial/manufacturing warehouse and an approximately 97,200 square foot industrial/manufacturing warehouse which are expected to be complete by the first quarter of 2026). Commercial development within the District consists of Vanguard Truck Center of Houston, an 18-wheeler truck dealership with a 110,000 square-foot office warehouse building on an approximately 23-acre tract and Houston Freightliner Western Star, a 300,000 square foot truck dealership on an approximately 64-acre tract. In addition, Northpoint 90 Logistics Center is located on an approximately 190-acre tract of land consisting of (1) an approximately 690,000 square-foot office/warehouse/distribution facility leased by Chewy’s, an on-line pet supply</p>

retailer; (2) an approximately 295,000 square-foot office/warehouse that is half leased and half vacant; and (3) an approximately 373,000 office/warehouse that is fully leased. The balance of the District consists of approximately 77 undevelopable acres of easements, detention and drainage facilities, street right-of-way, floodway and flood plain, and approximately 92 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities.

Principal Property Owners...

NP GR Houston Industrial Land, LLC, a Delaware limited liability company, (“Northpoint”) developed approximately 190 acres of land within the District as the Northpoint 90 Logistics Center. Based on the 2024 certified tax rolls, NP GR Houston Industrial Land, LLC is the fifth largest taxpayer in the District and represents approximately 2.93% (\$11,349,660) of the District’s 2024 Certified Taxable Assessed Valuation. NP GR Houston Phase I, LLC, a related entity to NP GR Houston Industrial Land, LLC, owns an approximately 295,000 square-foot office/warehouse and an approximately 373,000 square-foot office/warehouse in the Northpoint 90 Logistics Center, is the third largest taxpayer in the District and represents approximately 13.36% (\$51,843,978) of the District’s 2024 Certified Taxable Assessed Valuation. NP GR Houston Phase II, LLC, a related entity to NP GR Houston Industrial Land, LLC, owns an approximately 690,000 square-foot office/warehouse/distribution facility in the Northpoint 90 Logistics Center is the largest taxpayer in the District and represents approximately 18.47% (\$71,654,661) of the District’s 2024 Certified Taxable Assessed Valuation. Chewy, Inc. leases the approximately 690,000 square-foot office/warehouse/distribution facility and is the sixth largest taxpayer in the District, representing 1.97% (\$7,650,010) of the District’s 2024 Certified Taxable Assessed Valuation, which consists of personal property.

ARNBE Property Management, Ltd., a Texas limited partnership, (“ARNBE”) owns approximately 64 acres of land within the District, on which it has constructed a 300,000 square-foot truck dealership known as Houston Freightliner Western Star. ARNBE does not own any additional land within the District. Based on the 2024 certified tax rolls, ARNBE is the second largest taxpayer in the District and represents approximately 17.90% (\$69,430,752) of the District’s 2024 Certified Taxable Assessed Valuation.

Stephens VRE-TX LLC, a Texas limited liability company, (“Stephens”) owns approximately 23 acres of land within the District, on which a 110,000 square foot 18-wheeler truck dealership known as Vanguard Truck Center is located. Stephens does not own any additional land within the District. Based on the 2024 certified tax rolls, Stephens is the fourth largest taxpayer in the District and represents approximately 6.34% (\$24,601,354) of the District’s 2024 Certified Taxable Assessed Valuation.

Sowell Equities-Forestwood, L.P., a Texas limited partnership (“Sowell”) owns approximately 30 acres of land within the District. Based on the 2024 certified tax rolls, Sowell is the seventh largest taxpayer in the District and represents 1.53% (\$5,928,066) of the District’s 2024 Certified Taxable Assessed Valuation.

Western Hwy 90 Property Owner LLC, a Texas limited liability company, (“Western Hwy 90”) owns approximately 23 acres of land within the District. Construction is underway upon such acreage for an approximately 232,900 square foot industrial/manufacturing warehouse and an approximately 97,200 square foot industrial/manufacturing warehouse which are expected to be complete by the first quarter of 2026. Western Hwy 90 does not own any additional land within the District.

NP-GR Houston Building 5, LLC, a Delaware limited liability company (“NP-GR Houston”), owns approximately 78 acres of land that have not been provided with water distribution, sanitary sewer and storm drainage facilities within the District. No vertical construction on such acreage has commenced to date.

See “PRINCIPAL PROPERTY OWNERS,” “TAX DATA—Principal Taxpayers,” and “INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers and the Developers.”

SELECTED FINANCIAL INFORMATION

2024 Certified Taxable Assessed Valuation	\$387,984,971 (a)
Estimated Taxable Assessed Valuation as of June 1, 2025.....	\$403,144,846 (b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$38,775,000 (c)
Estimated Overlapping Debt.....	<u>16,548,151 (d)</u>
Gross Debt and Estimated Overlapping Debt.....	\$55,323,151
Ratios of Gross Debt to:	
2024 Certified Taxable Assessed Valuation	9.99%
Estimated Taxable Assessed Valuation as of June 1, 2025	9.62%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2024 Certified Taxable Assessed Valuation.....	14.26%
Estimated Taxable Assessed Valuation as of June 1, 2025	13.72%
2024 Debt Service Tax Rate	\$0.75
2024 Maintenance and Operations Tax Rate	<u>0.40</u>
2024 Total Tax Rate	\$1.15/\$100 A.V.
Average percentage of total tax collections (2020-2024)	96.91%
Average Annual Debt Service Requirements (2026-2052) of the Bonds and the Outstanding Bonds (“Average Requirement”)	\$2,263,882 (e)
Maximum Annual Debt Service Requirement (2027) of the Bonds and the Outstanding Bonds (“Maximum Requirement”)	\$3,426,150 (e)
Tax Rates Required to Pay Average Requirement (2026-2052) at a 95% Collection Rate	
Based upon 2024 Certified Taxable Assessed Valuation	\$0.62/\$100 A.V. (f)
Based upon Estimated Taxable Assessed Valuation as of June 1, 2025	\$0.60/\$100 A.V. (f)
Tax Rates Required to Pay Maximum Requirement (2027) at a 95% Collection Rate	
Based upon 2024 Certified Taxable Assessed Valuation	\$0.93/\$100 A.V. (f)
Based upon Estimated Taxable Assessed Valuation as of June 1, 2025	\$0.90/\$100 A.V. (f)
Status of Home Construction as of July 11, 2025 (g):	
Total Developed Lots	449
Single-Family Residential – Completed and Occupied	449

Estimated 2025 Population – 1,571 (h)

- (a) As certified by the Harris Central Appraisal District (the “Appraisal District”). See “TAX 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 June 1, 2025. Increases in value that occur between January 1, 2025 and June 1, 2025 will be certified for purposes of taxation on January 1, 2026. See “TAX PROCEDURES.”
- (c) Includes the Bonds and the Outstanding Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (d) See “ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT.”
- (e) See “DEBT SERVICE REQUIREMENTS.”
- (f) See “TAX DATA—Tax Adequacy for Debt Service.”
- (g) See “THE DISTRICT—Status of Development.”
- (h) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$7,900,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421

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

UNLIMITED TAX BONDS SERIES 2025

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 421 (the “District”) of its \$7,900,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

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

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the major property owners and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

THE BONDS

Description

The Bonds are dated September 1, 2025 and will accrue interest from the Date of Delivery with interest payable each March 1 and September 1 (each an “Interest Payment Date”), beginning March 1, 2026, and mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “—Book-Entry-Only System” below.

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

Book-Entry-Only System

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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, 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 principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer and Exchange

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "—Book-Entry-Only System."

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

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Houston, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District and are payable as to principal of and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds (as defined herein) and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

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

Funds

In the Bond Order, the previous establishment of the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, the Outstanding Bonds, and any of the District’s duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

The proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities, and paying the costs of issuing the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond proceeds.

The Bond Order also confirms the previous establishment of the District’s General Fund. The District deposits, as collected, all revenues derived from operation of the District’s water and sanitary sewer system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and sanitary sewer system and the District’s storm drainage system. Any funds remaining in the General Fund after payment of maintenance and operating expenses, and to the extent they are ever necessary, after any payments pledged pursuant to the requirements of the Bonds, may be used by the District for any lawful purpose.

No Arbitrage

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

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1, 2051 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” herein):

\$500,000 Term Bonds	
Due September 1, 2051	
<u>Mandatory</u>	<u>Principal</u>
<u>Redemption Date</u>	<u>Amount</u>
2050	\$ 250,000
2051 (maturity)	250,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of Term Bonds of such maturity, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2032, prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of \$5,000 on September 1, 2031, or any date thereafter, at a price of the principal amount of bonds to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a given maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by random method selection (or by DTC in accordance with its procedures while the Bonds are in Book-Entry-Only form).

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

Authority for Issuance

At elections held within the District on May 12, 2007 and November 6, 2007, the voters of the District authorized the issuance of a total of \$82,350,000 principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities and for refunding outstanding bonds issued for such purposes. After issuance of the Bonds, the District will have \$42,445,000 in principal amount of unlimited tax bonds authorized but unissued for water, sanitary sewer, and drainage facilities and for refunding purposes. See “—Issuance of Additional Debt” below.

The Commission, pursuant to its order approving sale of the Bonds, has authorized the District to sell the Bonds for the purposes described in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an order of the TCEQ, and the general laws of the State of Texas relative to the issuance of bonds by political subdivisions of the State of Texas. 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. See “LEGAL MATTERS—Legal Opinion.”

Issuance of Additional Debt

The District's voters have authorized the issuance of \$82,350,000 in principal amount of unlimited tax bonds for purposes of acquiring or constructing water, sanitary sewer and drainage facilities to serve land within the District and for refunding outstanding bonds issued for such purposes. The District could hold elections to authorize additional amounts. After issuance of the Bonds, the District will have \$42,445,000 in principal amount of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities and refunding of such bonds. The Bond Order imposes no limitation on the amount of additional parity bonds which may be subsequently authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

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

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

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

Defeasance

The District may defease the Bonds pursuant to provisions of the Bond Order and discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (1) by paying or causing to be paid principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (2) 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 (3) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable with revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge, moneys or investments which, together with interest earned on or profits to be realized from such investments, will be sufficient to pay principal, interest or redemption price to maturity or to the date fixed for redemption of the Bonds provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, 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 payment or deposit, the Bonds shall no longer be regarded as outstanding and unpaid. However, if the maturity date on the Bonds shall not have then arrived, provision shall be made by the District for payment to the Registered Owners of the Bonds at the date of maturity or at a date fixed for redemption in full the amount to which the Registered Owners would be entitled by way of principal, interest and redemption price to the date of such maturity or redemption as provided in the Bond Order, and further provided written notice thereof shall have been given as provided in the Bond Order.

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.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic

partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District has not entered into a strategic partnership agreement with the City. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See “—Strategic Partnership” below.

Consolidation

A district (such as 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, with the assets of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Strategic Partnership

Under Chapter 43 of the Texas Local Government Code the District may enter into a strategic partnership agreement with the City of Houston wherein the District agrees to limited annexation by the City of the District for specific purposes. Such an agreement could include the imposition of certain retail sales and use taxes by the City within the area of the District annexed for limited purposes, the allocation of such revenue between the City and the District, and the provision of certain services by the City. The agreement may provide that the City is prohibited from a total annexation and dissolution of the District during the term of the agreement. The District has not entered into any discussions with the City regarding such an agreement and no representation can be made regarding the likelihood of the District and the City entering into such an agreement in the future.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Amendments

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and,

consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See “INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations.”

THE DISTRICT

General

The District is a municipal utility district created by Order of the Texas Commission on Environmental Quality on March 1, 2007, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates under provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. The entire District is within the extraterritorial jurisdiction of the City of Houston.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation, and treatment of sanitary sewer and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to provide for the collection and disposal of solid waste, to provide street lighting and to establish, operate, and maintain firefighting facilities and/or parks and recreational facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to certain limitations, develop and finance roads upon petition to the Commission for such authorization.

Description and Location

The District contains approximately 501 acres of land and is located in the northeastern portion of Harris County approximately 20 miles east-northeast of downtown Houston. The District lies approximately 0.5 miles southwest of Beltway 8/Sam Houston Parkway. Access to the District is provided by State Highway 90, which bisects the District, and Uvalde Road, east of the District. See “AERIAL PHOTOGRAPH.”

Land Use

The District currently includes approximately 76 developed acres of single-family residential development (449 lots), approximately 256 acres of commercial land served with trunk utilities (which includes approximately 197 acres that have vertical improvements and approximately 23 acres that are under construction for an approximately 232,900 square foot industrial/manufacturing warehouse and an approximately 97,200 square foot industrial/manufacturing warehouse) and approximately 77 undevelopable acres of easements, detention and drainage facilities, street right-of-way, floodway and flood plain. In addition, the District includes approximately 92 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	Approximate	
	<u>Acres</u>	<u>Lots</u>
Imperial Forest:		
Section 1.....	24	144
Section 2.....	5	24
Section 3.....	19	110
Section 4.....	28	171
Subtotal.....	76	449
<i>Commercial Development (a)</i>	256	---
<i>Future Development</i>	92	---
<i>Non-Developable (b)</i>	77	---
	501	449

(a) See “—Status of Development” herein.

(b) Includes detention and drainage facilities, easements, street rights-of-ways, floodway and flood plain.

Status of Development

Single-Family Residential: As of July 11, 2025, the District consisted of 449 completed homes (449 occupied). According to the 2024 tax rolls of the District, the average homestead value was approximately \$272,250. The estimated population in the District based upon 3.5 persons per occupied single-family residence is 1,571.

Commercial Development: Approximately 256 acres of commercial land within the District are served with trunk utilities (which includes approximately 197 acres that have vertical improvements and approximately 23 acres that are under construction for an approximately 232,900 square foot industrial/manufacturing warehouse and an approximately 97,200 square foot industrial/manufacturing warehouse which are expected to be complete by the first quarter of 2026). Commercial development within the District consists of Vanguard Truck Center of Houston, an 18-wheeler truck dealership with a 110,000 square-foot office warehouse building on an approximately 23-acre tract and Houston Freightliner Western Star, a 300,000 square foot truck dealership on an approximately 64-acre tract. In addition, Northpoint 90 Logistics Center is located on an approximately 190-acre tract of land and includes (1) a 690,000 square-foot office/warehouse/distribution facility leased by Chewy’s, an on-line pet supply retailer; (2) an approximately 295,000 square-foot office/warehouse that is half leased and half vacant; and (3) an approximately 373,000 square-foot office/warehouse that is fully leased.

The balance of the District consists of approximately 77 undevelopable acres of easements, detention and drainage facilities, street right-of-way, floodway and flood plain, and approximately 92 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms, and elections are held in May in even numbered years only. All of the Directors own a small parcel of land within the District. The directors of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Russell Yokem	President	May 2026
Karen W. Rogers	Vice President	May 2028
Jason Shiery	Secretary	May 2028
Anthony J. Clasen	Asst. Secretary & Treasurer	May 2026
John C. Wright	Asst. Secretary	May 2026

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

Tax Appraisal

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris Central Appraisal District.

Tax Assessor/Collector

The District's tax assessor/collector is Assessments of the Southwest, Inc. (the “Tax Assessor/Collector”).

Bookkeeper

The District contracts with Myrtle Cruz, Inc. for bookkeeping services.

Operator

The District contracts with Inframark, L.L.C. for operations and maintenance services.

Engineer

The consulting engineer for the District in connection with the design and construction of certain District facilities is Edminster, Hinshaw, Russ & Associates, Inc. (the “Engineer”).

Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. 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, therefor, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds is based upon a percentage of bonds actually issued, sold and delivered and therefor such fee is contingent upon sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which audit is filed with the Commission. The District’s audited financial statements for the fiscal year ending April 30, 2024 have been prepared by McCall Gibson Swedlund Barfoot Ellis PLLC. The District has engaged McCall Gibson Swedlund Barfoot Ellis PLLC to audit its financial statements for the fiscal year ended April 30, 2025. See “APPENDIX A” for a copy of the District’s April 30, 2024 audited financial statements.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas has been engaged by the District to serve as Disclosure Counsel. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

PRINCIPAL PROPERTY OWNERS

NP GR Houston Industrial Land, LLC

NP GR Houston Industrial Land, LLC, a Delaware limited liability company, (“Northpoint”) developed approximately 190 acres of land within the District as the Northpoint 90 Logistics Center. Based on the 2024 certified tax rolls, NP GR Houston Industrial Land, LLC is the fifth largest taxpayer in the District and represents approximately 2.93% (\$11,349,660) of the District’s 2024 Certified Taxable Assessed Valuation. NP GR Houston Phase I, LLC, a related entity to NP GR Houston Industrial Land, LLC, owns an approximately 295,000 square-foot office/warehouse and an approximately 373,000 square-foot office/warehouse in the Northpoint 90 Logistics Center, is the third largest taxpayer in the District and represents approximately 13.36% (\$51,843,978) of the District’s 2024 Certified Taxable Assessed Valuation. NP GR Houston Phase II, LLC, a related entity to NP GR Houston Industrial Land, LLC, owns an approximately 690,000 square-foot office/warehouse/distribution facility in the Northpoint 90 Logistics Center is the largest taxpayer in the District and represents approximately 18.47% (\$71,654,661) of the District’s 2024 Certified Taxable Assessed Valuation. Chewy, Inc. leases the approximately 690,000 square-foot office/warehouse/distribution facility and is the sixth largest taxpayer in the District, representing 1.97% (\$7,650,010) of the District’s 2024 Certified Taxable Assessed Valuation, which consists of personal property.

ARNBE Property Management, Ltd.

ARNBE Property Management, Ltd., a Texas limited partnership, (“ARNBE”) owns approximately 64 acres of land within the District, on which it has constructed a 300,000 square-foot truck dealership known as Houston Freightliner Western Star. ARNBE does not own any additional land within the District. Based on the 2024 certified tax rolls, ARNBE is the second largest taxpayer in the District and represents approximately 17.90% (\$69,430,752) of the District’s 2024 Certified Taxable Assessed Valuation.

Stephens VRE-TX LLC

Stephens VRE-TX LLC, a Texas limited liability company, (“Stephens”) owns approximately 23 acres of land within the District, on which it has constructed a 110,000 square foot 18-wheeler truck dealership known as Vanguard Truck Center. Stephens does not own any additional land within the District. Based on the 2024 certified tax rolls, Stephens is the fourth largest taxpayer in the District and represents approximately 6.34% (\$24,601,354) of the District’s 2024 Certified Taxable Assessed Valuation.

Sowell Equities-Forestwood, L.P.

Sowell Equities-Forestwood, L.P., a Texas limited partnership (“Sowell”) owns approximately 30 acres of land within the District. Based on the 2024 certified tax rolls, Sowell is the seventh largest taxpayer in the District and represents 1.53% (\$5,928,066) of the District’s 2024 Certified Taxable Assessed Valuation.

Western Hwy 90 Property Owner LLC

Western Hwy 90 Property Owner LLC, a Texas limited liability company, (“Western Hwy 90”) owns approximately 23 acres of land within the District. Construction is underway upon such acreage for an approximately 232,900 square foot industrial/manufacturing warehouse and an approximately 97,200 square foot industrial/manufacturing warehouse which are expected to be complete by the first quarter of 2026. Western Hwy 90 does not own any additional land within the District.

NP-GR Houston Building 5, LLC

NP-GR Houston Building 5, LLC, a Delaware limited liability company (“NP-GR Houston”), owns approximately 78 acres of land that have not been provided with water distribution, sanitary sewer and storm drainage facilities within the District. No vertical construction on such acreage has commenced to date.

See “INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers.”

THE SYSTEM

Regulation

According to the Engineer, the District’s water distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specification of such entities and is subject to inspection by each such entity. Operation of the System by the District must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, Harris County and, in some instances, the Commission. Harris County, the City of Houston, and the Texas Department of State Health Services also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by the District’s Engineer.

Water Supply

According to the Engineer, the District currently has water supply and treatment capacity available to it capable of serving 830 equivalent single-family connections (“ESFCs”) which is sufficient to serve existing and projected development within the District. The District purchases water from the City of Houston (the “City”), and the water is distributed to the District’s customers after it is repressurized at the District’s surface water re-pressurization facility.

The District has constructed and owns a surface water re-pressurization facility (“Re-pressurization Plant”) in which another district owns a beneficial interest, as described below. The Re-pressurization Plant is capable of providing water supply sufficient to serve 2,100 ESFCs.

The District and Northeast Harris County Municipal Utility District No. 1 (“NE MUD 1”) are parties to an agreement (“Water Supply Cost Share Agreement”) to share the costs of construction of offsite and onsite water supply lines and facilities, including the Re-pressurization Plant, and to provide NE MUD 1 with treated surface water purchased from the City. Pursuant to the Water Supply Cost Share Agreement, as amended, the water supply capacity allocated in the Re-pressurization Plant is 830 ESFCs to the District and 1,270 ESFCs to NE MUD 1. If the District requires capacity in the Re-pressurization Plant in excess of the 830 ESFCs allocated under the Water Supply Cost Share Agreement, it can either proceed with an expansion of the plant or seek allocation of additional capacity from NE MUD 1. Each district has paid its share of the design and construction of the facilities which permit the conveyance of surface water from the City to the districts. The District bills NE MUD 1 monthly for water supplied to NE MUD 1 at the same rate paid by the District to the City.

The District purchases its potable water directly from the City of Houston (the “City”) pursuant to the January 18, 2007 Treated Surface Water Supply Contract by and between the City and Land Development Company, Ltd. and Sowell Equities-Forestwood, L.P. (the “Water Supply Agreement”). This contract was assigned to the District on June 28, 2007. The water is supplied through a 16-inch water main along US Highway 90.

The District’s Water Supply Agreement with the City provides for a contractual water supply limit of 420,000 gallons per day using the existing 16-inch water main along US Highway 90. An increase above 420,000 gallons per day would require the District to connect at a second point of delivery. The City has notified its customers within its Northeast Water Purification Plant service area, including the District, of temporary water supply limitations until the City completes construction of an expansion of its Northeast

Water Purification Plant, the first phase of which has been completed and the second phase is expected to be completed in early 2026, but such notice also confirms the District's contractual daily water supply quantity of 420,000 gallons per day during this period. The Water Supply Agreement currently requires the District to pay the City for 96,250 gallons of water per day ("minimum take or pay") whether or not the District takes that amount of water. The District pays a surcharge to the City for water that the District takes in excess of the minimum take or pay quantity. The City has indicated that if the District desires to increase the minimum take or pay quantity, the City will require payment of water impact fees.

Subsidence District Requirements

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. The City of Houston has implemented a Groundwater Reduction Plan ("GRP") and has obtained Subsidence District approval of its GRP. The City's GRP sets forth the City'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 currently has no wells of its own subject to groundwater reduction requirements and purchases water from the City of Houston pursuant to the Water Supply Agreement. Under the Water Supply Agreement, water that is sold to the District is included in the City's GRP and as a result the District meets Subsidence District requirements regulating groundwater withdrawal which may be applicable to the District. If the District drills a water well in the future, it will follow Subsidence District regulations and seek to become a participant in the City's GRP.

Wastewater Treatment

The District is supplied wastewater treatment service by the City pursuant to the Sanitary Sewer Service Agreement between and among the City and Land Development, Ltd. and Sowell Equities-Forestwood, L.P. on behalf of the District (the "Wastewater Agreement") dated October 10, 2006. The Wastewater Agreement was assigned to the District on June 28, 2007, and it was amended effective November 18, 2021. The purposes of the amendment were to add provisions necessary for enforcement of the City's wastewater pretreatment program within the District, and to obtain City consent to serve an out of district tract located within NE MUD 1 and accept industrial waste from that tract into the District's sanitary sewer system subject to the requirements of City's pretreatment program and for ultimate treatment by the City. The wastewater is treated and discharged from the City's 69th Street Wastewater Treatment Facility, which is owned, operated and managed by the City. Wastewater from the District is transported to the City's treatment facility through a 12-inch sanitary sewer force main along US Highway 90. The Wastewater Agreement provides that the District is billed by the City for sewer service based on the metered water delivered during the month, as measured by individual customer meters, times the City's wholesale wastewater rate. According to the Engineer, the District's wastewater capacity available under the Wastewater Agreement, taking into account the service to be provided to the tract in NE MUD 1, will serve 1,512 ESFCs, which is sufficient to serve current and projected development within the District.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

According to the District's Engineer, approximately 40 acres of land in the District are either within the 100-year flood plain or flood way as designated by the Federal Emergency Management Administration Insurance Rate Map for the area; however, such acreage may be developed if the areas are filled pursuant to a Federal Emergency Management Administration Letter of Map Revision ("LOMR") based on Fill. Out of the 40 acres within the flood plain, approximately 32 acres are developable and approximately 8 acres are not developable. The District's Re-pressurization Plant that serves the District is located within the 100-year flood plain; however, the slabs were constructed above the base flood elevation. Additionally, the Imperial Forest Detention and Channel Improvements project (HC No. 1710130048) were completed in February 2020 to exceed mitigation and detention volume requirements for the development. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs were compiled by Edminster, Hinshaw, Russ & Associates, Inc., the District's engineer (the "Engineer"), based on the estimated cost of facilities and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the District's financial advisor, Masterson Advisors LLC (the "Financial Advisor"), at the time the District's bond application was filed with the TCEQ. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used. Certain uses of surplus funds require TCEQ approval.

A portion of the proceeds from the sale of the Bonds will be used to pay for the construction costs associated with the items shown below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds. The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$7,128,275 is estimated for construction costs, and \$771,725 is estimated for non-construction costs as detailed below.

CONSTRUCTION COSTS

Surface Water Repump Facility Expansion.....	\$	320,000
Surface Water Repump Facility Rehabilitation.....		715,000
Remote Water Well.....		3,750,000
Northpoint Detention Pond Rehabilitation.....		250,000
Lift Station Rehabilitation.....		600,000
Contingencies.....		563,500
Engineering.....		929,775
		929,775

Total Construction Costs..... **\$ 7,128,275**

NON-CONSTRUCTION COSTS

Legal Fees.....	\$	237,000
Financial Advisory Fees.....		138,500
Bond Discount (a).....		237,000
Bond Issuance Expenses.....		52,464
TCEQ Fee (0.25%).....		19,750
Bond Application Report Costs.....		55,625
Legal Operating Advances.....		23,486
Attorney General Fee.....		7,900
		7,900

Total Non-Construction Costs..... **\$ 771,725**

TOTAL BOND ISSUE **\$ 7,900,000**

(a) In its order approving the Bonds, the TCEQ approved a maximum Bond Discount of 3.00%.

In the instance that TCEQ-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under 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.

Future Debt

The District contains approximately 92 acres of developable land not presently served with water distribution, sanitary sewer and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve the undeveloped acreage within the District. The District can make no representation that any additional development will occur within the District. According to the District Engineer, the District has adequate voted bonds to complete the current and planned land use projects. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."

BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
5/12/2007, 11/6/2007	Water, Sanitary Sewer and Drainage Facilities and Refunding	\$82,350,000	\$39,905,000*	\$42,445,000

* Includes the Bonds.

FINANCIAL STATEMENT

2024 Certified Taxable Assessed Valuation	\$387,984,971	(a)
Estimated Taxable Assessed Valuation as of June 1, 2025.....	\$403,144,846	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$38,775,000	(c)
Ratios of Gross Debt to:		
2024 Certified Taxable Assessed Valuation	9.99%	
Estimated Taxable Assessed Valuation as of June 1, 2025	9.62%	

Area of District – 501 Acres
Estimated 2025 Population – 1,571 (d)

- (a) As certified by the Appraisal District. See “TAX 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 June 1, 2025. Increases in value that occur between January 1, 2025 and June 1, 2025 will be certified for purposes of taxation on January 1, 2026. See “TAX PROCEDURES.”
- (c) Includes the Bonds and the Outstanding Bonds. See “—Outstanding Bonds” herein.
- (d) Based upon 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of July 17, 2025)

Capital Projects Fund	Cash and Temporary Investments	\$2,640,921
Operating Fund	Cash and Temporary Investments	\$3,281,174
Debt Service Fund	Cash and Temporary Investments	\$4,192,334 (a)

- (a) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

District Investment Policy

The District’s goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasury obligations or certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral held by a third-party institution. The District does not own any long term securities or derivative products in the District’s investment portfolio.

Outstanding Bonds

The following table lists the original principal amount of the Outstanding Bonds and the principal amount of the Outstanding Bonds that are outstanding as of July 1, 2025.

Series	Original Principal Amount	Outstanding Bonds as of 7/1/2025
2019	\$ 3,150,000	\$ 2,715,000
2022	9,035,000	8,625,000
2023	13,290,000	13,005,000
2024	6,530,000	6,530,000
Total	\$ 32,005,000	\$ 30,875,000

ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT

Expenditures of the various taxing entities which include the territory in the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt allocable to the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,424,019,039	6/30/2025	0.07%	\$ 1,696,813
Harris County Flood Control District.....	968,445,000	6/30/2025	0.07%	677,912
Harris County Hospital District.....	867,820,000	6/30/2025	0.07%	607,474
Harris County Department of Education.....	28,960,000	6/30/2025	0.07%	20,272
Port of Houston Authority.....	406,509,397	6/30/2025	0.07%	284,557
Galena Park Independent School District.....	387,109,938	6/30/2025	1.79%	6,929,268
Sheldon Independent School District.....	514,784,996	6/30/2025	1.23%	6,331,855
Total Estimated Overlapping Debt.....				\$ 16,548,151
The District.....	38,775,000 (a)	Current	100.00%	38,775,000
Total Direct and Estimated Overlapping Debt.....				\$ 55,323,151
Ratio of Direct and Estimated Overlapping Debt to 2024 Certified Taxable Assessed Valuation.....				14.26%
Ratio of Direct and Estimated Overlapping Debt to Estimated Taxable Assessed Valuation as of June 1, 2025.....				13.72%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2024

	<u>2024 Tax Rate per \$100 of Taxable Assessed Valuation</u>	<u>2024 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.608689	\$ 0.608689
Sheldon Independent School District (a).....	1.255200	-
Galena Park Independent School District (a).....	-	1.171910
San Jacinto Community College District.....	0.154868	0.154868
Harris County ESD No. 60.....	0.075900	0.075900
Harris County ESD No. 2.....	<u>0.030000</u>	<u>0.030000</u>
Total Overlapping Tax Rate.....	\$ 2.124657	\$ 2.041367
The District.....	<u>1.150000</u>	<u>1.150000</u>
Total Tax Rate.....	\$ 3.274657	\$ 3.191367

(a) Approximately 139 acres in the District are located in Sheldon Independent School District and approximately 362 acres in the District are located in Galena Park Independent School District.

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2025 (a)	
				Amount	Percent
2020	\$ 50,911,128	\$ 1.25	\$ 636,389	\$ 635,859	99.92%
2021	102,145,653	1.25	1,276,821	1,269,446	99.42%
2022	161,760,531	1.25	2,022,007	2,017,409	99.77%
2023	299,107,490	1.25	3,738,844	3,219,343	86.11% (b)
2024	387,984,971	1.15	4,461,827	4,433,019	99.35%

(a) Unaudited.

(b) In early 2025, the Appraisal District added approximately \$41.1 million in omitted improvements to the ARNBE tax account in the District for tax year 2023. ARNBE protested such value and is now in litigation with the Appraisal District protesting the added value. To date, no tax payment has been made to the District. At this time, the District does not know the outcome of the litigation nor when or if any payment will be made.

Taxes are due October 1 and are delinquent after January 31 of the following year. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$ 0.75	\$ 0.83	\$ 0.71	\$ 0.65	\$ 0.62
Maintenance and Operations	0.40	0.42	0.54	0.60	0.63
Total	<u>\$ 1.15</u>	<u>\$ 1.25</u>	<u>\$ 1.25</u>	<u>\$ 1.25</u>	<u>\$ 1.25</u>

Tax Rate Limitations

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

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2024 at the rate of \$0.75 per \$100 assessed valuation. See “—Tax Rate Distribution” herein.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements, if such maintenance tax is authorized by the District’s voters. At an election held May 12, 2007, the Board was authorized to levy such a maintenance tax in an unlimited rate in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2024 at the rate of \$0.40 per \$100 assessed valuation. See “—Tax Rate Distribution” herein.

Tax Exemptions

As discussed in the section titled “TAX PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation nor does it grant any exemption for persons who are 65 or older and/or disabled. Several of the major property owners have executed a Waiver of Special Appraisal, or own property already subject to such a waiver, waiving their right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property they own the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty years.

Additional Penalties

The District has contracted with Smith, Murdaugh, Little & Bonham, L.L.P. for collection of delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax, penalty and interest to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2024 Certified Taxable Assessed Valuation of \$387,984,971, which reflects ownership on January 1, 2024. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of June 1, 2025 is not available as of the date hereof.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Certified Taxable Assessed Valuation</u>	<u>% of 2024 Certified Taxable Assessed Valuation</u>
NP GR Houston Phase II LLC (a)(b)	Land & Improvements	\$ 71,654,661	18.47%
ARNBE Property Management LTD (a)	Land & Improvements	69,430,752	17.90%
NP GR Houston Phase I LLC (a)(b)	Land & Improvements	51,843,978	13.36%
Stephens VRE-TX LLC (a)(c)	Land & Improvements	24,601,354	6.34%
NP GR Houston Industrial Land LLC (a)(b)	Land	11,349,660	2.93%
Chewy Inc (b)	Personal Property	7,650,010	1.97%
Sowell Equities-Forestwood LP (a)	Land	5,928,066	1.53%
Vanguard Truck Center of Houston LLC (c)	Personal Property	5,376,511	1.39%
Home Rent 4 LLC	Land & Improvements	4,731,000	1.22%
Vanguard Truck Centers (c)	Personal Property	4,703,131	1.21%
Total		\$ 257,269,123	66.31%

(a) See “PRINCIPAL PROPERTY OWNERS.”

(b) Related entities. Chewy Inc represents the inventory located at the Northpoint 90 Logistics Center. See “THE DISTRICT—Status of Development, Commercial Development,” “TAX PROCEDURES—Tax Abatement” and “INVESTMENT CONSIDERATIONS—Dependence on Personal Property Tax Collections.”

(c) Related entities. Vanguard Truck Center of Houston LLC and Vanguard Truck Centers represent the vehicle inventory located at the Stephens VRE-TX LLC property.

Summary of Assessed Valuation

The following summary of the 2024, 2023 and 2022 Certified Taxable Assessed Valuations is provided by the District's Tax Assessor/Collector based on information contained in the 2024, 2023 and 2022 tax rolls of the District. An accurate breakdown related to the Estimated Taxable Assessed Valuation as of June 1, 2025 is not available as of the date hereof.

	2024 Certified Taxable <u>Assessed Valuation</u>	2023 Certified Taxable <u>Assessed Valuation</u>	2022 Certified Taxable <u>Assessed Valuation</u>
Land	\$ 81,399,444	\$ 68,982,960	\$ 68,082,222
Improvements	296,617,183	227,706,360	90,158,241
Personal Property	23,521,054	17,218,099	16,868,900
Exemptions	<u>(13,552,710)</u>	<u>(14,799,929)</u>	<u>(13,348,832)</u>
Total	<u>\$ 387,984,971</u>	<u>\$ 299,107,490</u>	<u>\$ 161,760,531</u>

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2024 Certified Taxable Assessed Valuation of \$387,984,971 and the Estimated Taxable Assessed Valuation as of June 1, 2025 of \$403,144,846, no use of available funds, a ninety-five percent (95%) collection rate and a debt service tax rate necessary to pay the District's average and maximum annual debt service requirements on the Bonds and the Outstanding Bonds. See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2026-2052).....	\$2,263,882
\$0.62 Tax Rate on the 2024 Certified Taxable Assessed Valuation	\$2,285,231
\$0.60 Tax Rate on the Estimated Taxable Assessed Valuation as of June 1, 2025	\$2,297,926
Maximum Annual Debt Service Requirement (2027).....	\$3,426,150
\$0.93 Tax Rate on the 2024 Certified Taxable Assessed Valuation	\$3,427,847
\$0.90 Tax Rate on the Estimated Taxable Assessed Valuation as of June 1, 2025	\$3,446,888

No representations or suggestions are made that the Estimated Taxable Assessed Valuation as of June 1, 2025 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 "TAX PROCEDURES."

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding 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 Order to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Maintenance and Operations Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. 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. See "TAX DATA."

Partially disabled veterans 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. The surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the 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 District has never granted such a general homestead exemption. See "TAX DATA."

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

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. The City of Houston adopted Ordinance 2021-902 (the "Ordinance") on October 20, 2021 designating The Chewy, Inc. Reinvestment Zone (the "Zone") over an approximately 46.882-acre tract within the District and described in the Ordinance as the Northpoint 90 Logistics Center, Building 3 Lease. The designation is effective for five (5) years from the effective date of the Ordinance. Adoption of the Ordinance served as notice of designation of the Zone to every taxing unit that includes property in its boundaries located within the Zone, including the District. The Ordinance states that Chewy, Inc. plans to invest approximately \$97,000,000 to expand its operations with the construction of a new facility to serve as a new regional e-commerce fulfillment facility and potentially create 1,200 jobs. The referenced facility has been developed by NP GR Houston Industrial Land LLC. The District indicated it would consider up to a 50% tax abatement agreement with Chewy, Inc. relating to the proposed facility, but to date the District has not considered the matter and is unaware of any consideration by other affected taxing units.

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

Valuation of Property for Taxation

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

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply with the Appraisal District for such appraisal, and the Appraisal District is required to act on each claimant's application 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 (3) years for agricultural use, open space land, and timberland.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. 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 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% 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 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 Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which 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. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District 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 in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. 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 continues to accrue during the period of deferral.

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 tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Rollback of Operation and Maintenance Tax Rate

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

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

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. However, pursuant to a 2023 amendment of the Texas Water Code, an election is not required if a Developed District adopts a tax rate that exceeds the “mandatory tax election rate,” but is less than or equal to the “voter approval rate,” as these terms are defined in the Texas Water Code. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “INVESTMENT CONSIDERATIONS.”

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer system 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 any significant revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District’s General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District’s audited financial statements for the fiscal years ended April 30, 2021 through 2024 and an unaudited summary for the fiscal year ended April 30, 2025, as provided by the District’s bookkeeper. Reference is made to such statements for further and complete information.

	Fiscal Year Ended April 30				
	2025 (a)	2024	2023	2022	2021
Revenues					
Property Taxes	\$ 1,475,422	\$ 1,302,350	\$ 902,683	\$ 612,677	\$ 250,768
Water Service	276,337	234,232	139,850	88,118	79,841
Wastewater Service	374,335	338,495	249,497	192,283	129,507
Service to Other Entities	362,985	296,800	118,287	175,021	133,082
Penalty and Interest	9,615	20,734	14,601	6,116	3,908
Tap Connection and Inspection Fees	1,421	21,682	507,270	358,290	221,730
Miscellaneous	130,750	105,475	55,972	211,824	9,467
Total Revenues	<u>\$ 2,630,865</u>	<u>\$ 2,319,768</u>	<u>\$ 1,988,160</u>	<u>\$ 1,644,329</u>	<u>\$ 828,303</u>
Expenditures					
Professional Fees	\$ 347,963	\$ 202,818	\$ 169,122	\$ 117,659	\$ 99,738
Contracted Services	134,256	129,854	105,287	74,255	54,703
Purchased Water/Wastewater Services	716,024	778,375	457,469	365,287	278,535
Repressurization Plant Operating Costs	80,771	73,911	71,907	75,410	60,818
Utilities	13,092	6,072	6,951	13,587	8,026
Repairs and Maintenance	289,678	407,803	314,394	164,526	98,610
Other	66,648	90,607	295,565	206,989	137,494
Capital Outlay	146,915	-	-	20,968	-
Bond Issuance Costs	-	-	-	37,533	-
Total Expenditures	<u>\$ 1,795,348</u>	<u>\$ 1,689,440</u>	<u>\$ 1,420,695</u>	<u>\$ 1,076,214</u>	<u>\$ 737,924</u>
Revenues Over (Under) Expenditures	<u>\$ 835,517</u>	<u>\$ 630,328</u>	<u>\$ 567,465</u>	<u>\$ 568,115</u>	<u>\$ 90,379</u>
Other Sources (Transfers In)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,533</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance (Beginning of Year)	<u>\$ 2,573,900</u>	<u>\$ 1,943,572</u>	<u>\$ 1,338,574</u>	<u>\$ 770,459</u>	<u>\$ 680,080</u>
Fund Balance (End of Year)	<u><u>\$ 3,409,417</u></u>	<u><u>\$ 2,573,900</u></u>	<u><u>\$ 1,943,572</u></u>	<u><u>\$ 1,338,574</u></u>	<u><u>\$ 770,459</u></u>

(a) Unaudited. Provided by the District’s bookkeeper.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2025	\$ 1,402,525 (a)				\$ 1,402,525
2026	2,073,756		\$ 374,267	\$ 374,267	2,448,023
2027	2,075,150	\$ 950,000	401,000	1,351,000	3,426,150
2028	2,069,938	950,000	339,250	1,289,250	3,359,188
2029	2,067,213	250,000	277,500	527,500	2,594,713
2030	2,062,431	250,000	261,250	511,250	2,573,681
2031	2,050,281	250,000	245,000	495,000	2,545,281
2032	2,049,094	250,000	228,750	478,750	2,527,844
2033	2,054,538	250,000	212,500	462,500	2,517,038
2034	2,053,169	250,000	196,250	446,250	2,499,419
2035	2,049,319	250,000	182,500	432,500	2,481,819
2036	2,048,831	250,000	172,500	422,500	2,471,331
2037	2,040,925	250,000	162,500	412,500	2,453,425
2038	2,041,169	250,000	152,500	402,500	2,443,669
2039	2,034,325	250,000	142,500	392,500	2,426,825
2040	2,030,600	250,000	132,500	382,500	2,413,100
2041	2,014,131	250,000	122,500	372,500	2,386,631
2042	2,005,950	250,000	112,500	362,500	2,368,450
2043	1,995,638	250,000	102,500	352,500	2,348,138
2044	1,948,213	250,000	92,500	342,500	2,290,713
2045	1,909,538	250,000	82,500	332,500	2,242,038
2046	1,869,706	250,000	72,500	322,500	2,192,206
2047	1,857,344	250,000	62,500	312,500	2,169,844
2048	1,862,156	250,000	52,500	302,500	2,164,656
2049	1,363,750	250,000	42,500	292,500	1,656,250
2050	1,306,875	250,000	32,500	282,500	1,589,375
2051	-	250,000	22,500	272,500	272,500
2052	-	250,000	12,500	262,500	262,500
Total	\$ 50,336,563	\$ 7,900,000	\$ 4,290,767	\$ 12,190,767	\$ 62,527,329

(a) Excludes the District's March 1, 2025 debt service payment of \$677,525.

Maximum Annual Debt Service Requirement (2027)	\$3,426,150
Average Annual Debt Service Requirement (2026-2052)	\$2,263,882

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "—Registered Owners' Remedies and Bankruptcy Limitations" herein.

Dependence on Major Taxpayers

Based upon the 2024 certified tax rolls, the top ten taxpayers are responsible for approximately 66.31% (\$257,269,123) of the District's 2024 taxes. The principal taxpayer within the District is NP GR Houston Phase II LLC, a related entity to NP GR Houston Industrial Land LLC, which represents approximately 18.47% (\$71,654,661) of the District's 2024 Certified Taxable Assessed Valuation. The second largest taxpayer within the District is ARNBE Property Management LTD, which represents approximately 17.90% (\$69,430,752) of the District's 2024 Certified Taxable Assessed Valuation. The third largest taxpayer within the District is NP GR Houston Phase I LLC, a related entity to NP GR Houston Industrial Land LLC, which represents approximately 13.36% (\$51,843,978) of the District's 2024 Certified Taxable Assessed Valuation. The fourth largest taxpayer within the District is Stephens VRE-TX LLC, which represents 6.34% (\$24,601,354) of the District's 2024 Certified Taxable Assessed Valuation. The fifth largest taxpayer within the District is NP GR Houston Industrial Land LLC, which represents 2.93% (\$11,349,660) of the District's 2024 Certified Taxable Assessed Valuation. See "THE DISTRICT—Status of Development," "TAX DATA—Principal Taxpayers," and "TAX PROCEDURES—Levy and Collection of Taxes." Certain of the District's principal taxpayers own warehouse and distribution facilities that may not be readily sold, re-leased or re-purposed should the businesses located in such facilities cease operations in the District. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Dependence on Personal Property Tax Collections

A significant portion of the District's 2024 Certified Taxable Assessed Valuation is personal property. See "TAX DATA—Summary of Assessed Valuation." Most other utility districts in Texas are not dependent to such an extent on taxes levied on personal property, and personal property taxation and collection creates special risks for Registered Owners. Unlike real property, there is no certainty that personal property will remain in the District from year to year. Automobiles and other personal property are portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year. See "TAX DATA—Principal Taxpayers."

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but also to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas and locating and foreclosing on property held outside the District may be costly, inefficient and difficult. The statute of limitations for collection of personal property taxes is four years from the date of delinquency, as contrasted with the 20-year statute of limitations for real property. Personal property may not be seized, and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAX PROCEDURES."

Undeveloped Acreage

There are approximately 92 developable acres that have not been provided with water, wastewater and storm drainage facilities and paving necessary to the construction of taxable improvements. Failure of the landowners to develop the developable land could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of this acreage will occur. See "THE DISTRICT—Land Use" and "—Status of Development."

Trade Disruptions and Increase in Costs of Building Materials

Much of the development in the District includes warehouse distribution facilities, which may be dependent on foreign trade, and a significant portion of the District's tax base is comprised of personal property (see "—Dependence on Personal Property Collections" herein). As a result of ongoing trade disputes including federal tariffs and retaliatory tariffs, the volume of personal property within the District could be materially impacted. Further, trade disruptions based on unpredictable tariff policy (including the threatened imposition of tariffs) could increase the cost of materials for new construction in the District. Any material impacts to the volume of personal property and decreased levels of construction activity within the District could restrict the growth of property values or could adversely impact existing values. The District makes no representations regarding the effects that current or future economic or governmental circumstances may have on property values or construction activity within the District.

Landowner Obligation to the District

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

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2024 Certified Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$387,984,971. After issuance of the Bonds, the maximum annual debt service requirement will be \$3,426,150 (2027) and the average annual debt service requirement will be \$2,263,882 (2026-2052 inclusive). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation, a tax rate of \$0.93 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of \$0.62 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DEBT SERVICE REQUIREMENTS." The Estimated Taxable Assessed Valuation as of June 1, 2025 within the District is \$403,144,846. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of June 1, 2025 and a 95% collection rate, tax rates of \$0.90 and \$0.60 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and the average annual requirement, respectively.

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2024 Certified Taxable Assessed Valuation and the Estimated Assessed Valuation as of June 1, 2025, the District can make no representations regarding the future level of taxable assessed valuation within the District. Increases in the tax rate may be required in the event the District's taxable assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes, commercial improvements and other taxable improvements within the District.

Future Debt

The District reserves in the Bond Order the right to issue the remaining \$42,445,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and for refunding outstanding bonds issued for such purposes. The District may issue additional bonds approved by District voters in future elections. The District may also issue refunding bonds. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM." The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." 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.

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 or commercial construction activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

Extreme Weather Events

The greater Houston area, including Harris County, 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 25, 2017, and brought historic levels of rainfall during the successive four days.

According to Inframark, L.L.C. (the “Operator”), to the best of their knowledge, neither the District’s water and sewer system nor the facilities serving the District that are owned and operated by the City of Houston sustained any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the knowledge of the District, no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

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 man-made drainage systems (canals or channels) downstream.

Environmental Regulation

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

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

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

Tax Collections Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

Registered Owners’ Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

2025 Legislative Session

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.

Continuing Compliance with Certain Covenants

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

Marketability

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

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

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

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

LEGAL MATTERS

Legal Opinion

The District will furnish the Initial Purchaser 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, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District (“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, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled “TAX MATTERS.”

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this Official Statement under the captions “THE BONDS” (except for “—Book-Entry-Only System”), “TAX PROCEDURES,” “THE DISTRICT—General,” “THE SYSTEM—Water Supply,” “—Wastewater Treatment,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” 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 has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any 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 therefor, 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.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement, 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, 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”). Interest on the Bonds may be excludable in certain corporations “adjusted financial statement income” determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of 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 observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable 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 District 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. 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 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 property financed or refinanced with proceeds of the Bonds. 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 Discount Bonds

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

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

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

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

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium 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.

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, taxpayers qualifying for the health-insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

Future and Proposed Legislation

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

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.

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 by such taxpayer in determining 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 which is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” which 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” or “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 which 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 Issuer will covenant to take such action which would assure or to refrain from such action which 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 (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be “qualified tax-exempt obligations.”

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). Moody's Investors Service (“Moody's”) has assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its municipal bond insurance policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Robert W. Baird & Co., Inc. (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the principal amount thereof which, resulted in a net effective interest rate of 4.657078% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

Securities Laws

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

“THE DISTRICT” and “INVESTMENT CONSIDERATIONS—Extreme Weather Events” - Edminster, Hinshaw, Russ & Associates, Inc. (“Engineer”) and Records of the District (“Records”); “PRINCIPAL PROPERTY OWNERS” - Assessments of the Southwest, Inc., Tax Assessor/Collector; “THE SYSTEM” - Engineer; “BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT” - Harris Central Appraisal District and Assessments of the Southwest, Inc.; “ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - Assessments of the Southwest, Inc.; “MANAGEMENT” - District Directors; “WATER AND SEWER OPERATIONS” - Records; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS” (except for “—Book-Entry-Only System” subsection), “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” - Smith, Murdaugh, Little & Bonham, L.L.P.

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

Consultants

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

Auditor: The District's audited financial statements for the year ended April 30, 2024, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountant. See “APPENDIX A” for a copy of the District's April 30, 2024, audited financial statements.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” have been provided by Edminster, Hinshaw, Russ & Associates, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon the authority of such firm as an expert in assessing and collecting taxes.

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

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public without charge through the MSRB's Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS" and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report and supplemental schedules) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2025.

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

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

Specified 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 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 or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the

Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described under “—Annual Reports.”

Availability of Information from the MSRB

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

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 Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) 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 (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating 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.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 421, as of the date shown on the cover page.

/s/ Mark Russell Yokem
President, Board of Directors

ATTEST:

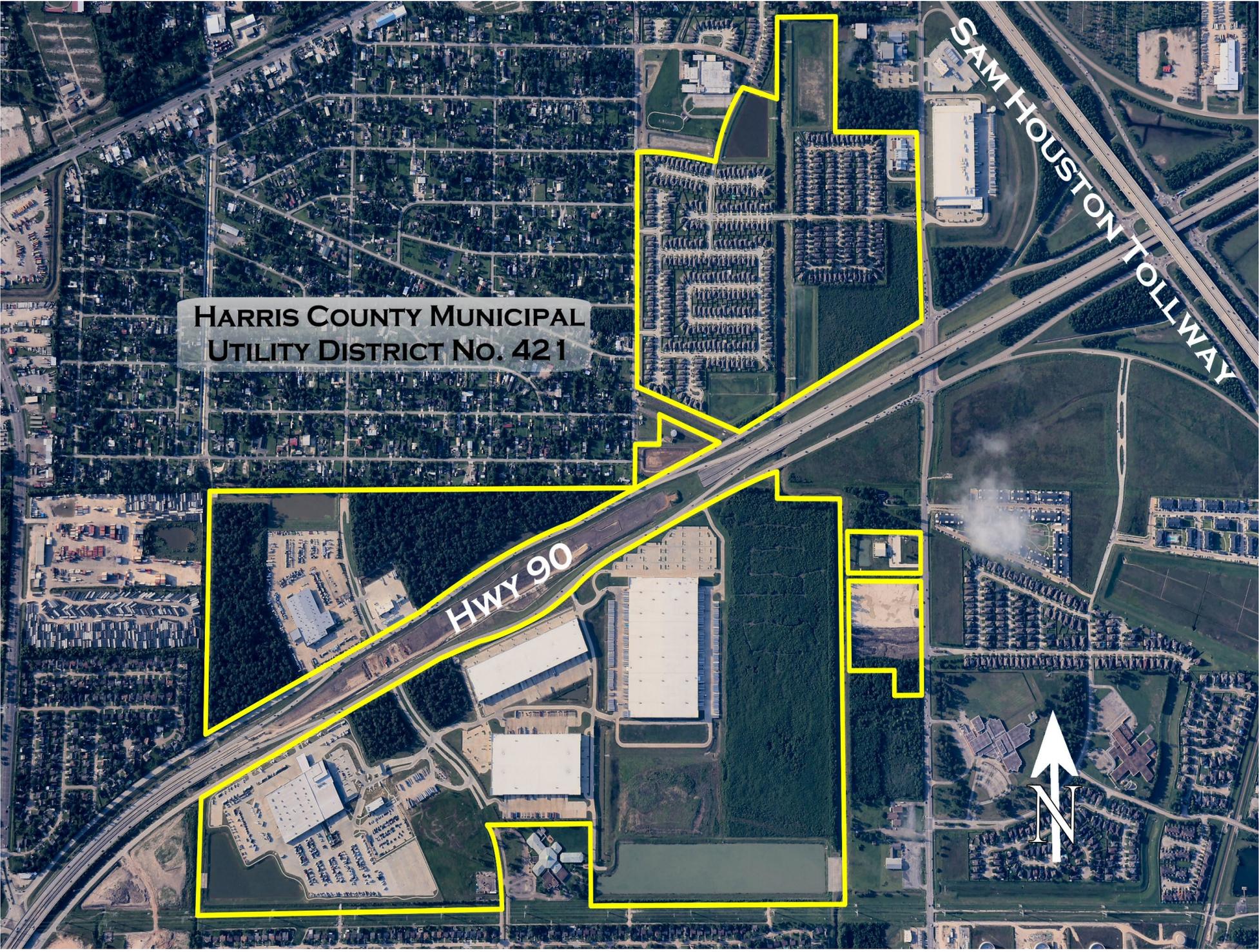
/s/ John C. Wright
Assistant Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of July 2025)

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 421**

HWY 90

SAM HOUSTON TOLLWAY



PHOTOGRAPHS OF THE DISTRICT
(As of June 2025)











APPENDIX A

District Audited Financial Statements for the Fiscal Year Ended April 30, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2024

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-29
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND	31-32
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	34-36
GENERAL FUND EXPENDITURES	37
INVESTMENTS	38
TAXES LEVIED AND RECEIVABLE	39-40
LONG-TERM DEBT SERVICE REQUIREMENTS	41-44
CHANGES IN LONG-TERM BOND DEBT	45-46
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	47-50
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	51-52

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 421
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 421 (the "District") as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of April 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Harris County Municipal
Utility District No. 421

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 15, 2024

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024**

Management’s discussion and analysis of Harris County Municipal Utility District No. 421’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended April 30, 2024. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. Budgetary comparison schedules are included as RSI for the General Fund and Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$2,330,245 as of April 30, 2024. A portion of the District’s net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 8,843,812	\$ 4,611,303	\$ 4,232,509
Capital Assets (Net of Accumulated Depreciation)	20,203,282	14,815,486	5,387,796
Total Assets	\$ 29,047,094	\$ 19,426,789	\$ 9,620,305
Due to Developer	\$ 2,131,900	\$ 8,590,246	\$ 6,458,346
Bonds Payable	24,669,045	11,730,461	(12,938,584)
Other Liabilities	4,576,394	607,662	(3,968,732)
Total Liabilities	\$ 31,377,339	\$ 20,928,369	\$ (10,448,970)
Deferred Inflows of Resources	\$ -0-	\$ 19,845	\$ 19,845
Net Position:			
Net Investment in Capital Assets	\$ (8,251,034)	\$ (4,811,698)	\$ (3,439,336)
Restricted	3,448,508	1,831,686	1,616,822
Unrestricted	2,472,281	1,458,587	1,013,694
Total Net Position	\$ (2,330,245)	\$ (1,521,425)	\$ (808,820)

*

The following table provides a comparative analysis of the District's operations for the years ended April 30, 2024, and April 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,863,194	\$ 2,034,900	\$ 1,828,294
Charges for Services	1,035,946	1,139,162	(103,216)
Other Revenues	262,818	174,804	88,014
Total Revenues	\$ 5,161,958	\$ 3,348,866	\$ 1,813,092
Expenses for Services	5,970,778	3,877,122	(2,093,656)
Change in Net Position	\$ (808,820)	\$ (528,256)	\$ (280,564)
Net Position, Beginning of Year	(1,521,425)	(993,169)	(528,256)
Net Position, End of Year	\$ (2,330,245)	\$ (1,521,425)	\$ (808,820)

*

*As Adjusted, Note 16

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of April 30, 2024, were \$8,343,532, an increase of \$4,047,417 from the prior year.

The District's General Fund fund balance increased by \$630,328, primarily due to property tax revenues and service revenues exceeding operating and administrative costs during the current fiscal year.

The Special Revenue Fund is revenue neutral, as costs are billed to participants based on ownership percentages.

The Debt Service Fund fund balance increased by \$1,715,933, primarily due to the structure of the District's outstanding debt and the current year increase in property tax revenues related to the property valuation increase in the District.

The Capital Projects Fund fund balance increased by \$1,701,156, primarily due to the issuance of Series 2023 bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the annual budget during the current fiscal year. Actual revenues were \$399,768 more than budgeted revenues primarily due to higher than expected property tax collections. Actual expenditures were \$206,690 more than budgeted expenditures primarily due to higher than expected purchased water services. See the budget to actual comparison for additional information.

CAPITAL ASSETS

Capital assets as of April 30, 2024, total \$20,203,282 and include land as well as the water system, wastewater system, drainage system and repressurization plant. Significant capital activity during the current fiscal year included engineering and construction costs related to Developer projects: water, wastewater and drainage facilities for Imperial Forest, Section 1, Phase 2, Sections 2, 3 and Crossing, and Section 4; Imperial Forest detention and channel improvements; detention pond, including repairs, to serve HFWS and Purple Sage extension; Northpoint 90 Logistics Center public detention ponds; water line and wastewater collection line extension; water plant expansion; and land acquisition.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2024**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 5,906,023	\$ 2,002,928	\$ 3,903,095
Construction in Progress	42,918		42,918
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,658,957	2,708,447	(49,490)
Wastewater System	3,062,814	3,137,537	(74,723)
Drainage System	8,532,570	6,966,574	1,565,996
Total Net Capital Assets	\$ 20,203,282	\$ 14,815,486	\$ 5,387,796

*

*As Adjusted, Note 16

LONG-TERM DEBT ACTIVITY

As of April 30, 2024, the District had total bond debt payable of \$24,935,000. The changes in the debt position of the District during the year ended April 30, 2024, are summarized as follows:

Bond Debt Payable, May 1, 2023	\$ 11,935,000
Add: Bond Sale - Series 2023	13,290,000
Less: Bond Principal Paid	290,000
Bond Debt Payable, April 30, 2024	\$ 24,935,000

The District's Series 2019 bonds are not rated. The Series 2022 and Series 2023 bonds carry an underlying rating of Baa2 and an insured rating of AA by virtue of bond insurance issued by Assured Guaranty Municipal. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 421, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2024

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 38,521	\$ 10,331
Investments	2,614,546	
Receivables:		
Property Taxes	22,355	
Penalty and Interest on Delinquent Taxes		
Service Accounts	47,181	
Accrued Interest	35	
Builder Damages	7,022	
Other	675	
Due from Other Funds	1,324	4,807
Prepaid Costs	13,633	
Due from Northeast HC MUD No. 1	140,342	12,017
Advance for Repressurization Plant Operations	5,928	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,891,562	\$ 27,155

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 54,686	\$ 62,057	\$ 165,595	\$	\$ 165,595
3,515,612	2,260,848	8,391,006		8,391,006
40,841		63,196		63,196
			3,110	3,110
		47,181		47,181
		35		35
		7,022		7,022
		675		675
26,611		32,742	(32,742)	
		13,633		13,633
		152,359		152,359
		5,928	(5,928)	
			5,906,023	5,906,023
			42,918	42,918
			14,254,341	14,254,341
<u>\$ 3,637,750</u>	<u>\$ 2,322,905</u>	<u>\$ 8,879,372</u>	<u>\$ 20,167,722</u>	<u>\$ 29,047,094</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2024

	General Fund	Special Revenue Fund
LIABILITIES		
Accounts Payable	\$ 105,993	\$ 12,155
Accrued Interest Payable		
Due to Other Governmental Units	56,553	
Due to Developers		
Due to Other Funds	31,418	
Due to Taxpayers		
Security Deposits	101,343	
Reserve for Repressurization Plant Operations		15,000
Long-Term Liabilities:		
Bond Anticipation Note Payable		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 295,307	\$ 27,155
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 22,355	\$ -0-
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 13,633	\$
Operating Advance	5,928	
Restricted for Authorized Construction		
Restricted for Debt Service		
Unassigned	2,554,339	
TOTAL FUND BALANCES	\$ 2,573,900	\$ -0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,891,562	\$ 27,155
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 18,610	\$ 136,758	\$ 103,388	\$ 240,146
	121,928	121,928	184,032	305,960
		56,553		56,553
			2,131,900	2,131,900
	1,324	32,742	(32,742)	
8,320		8,320		8,320
		101,343		101,343
		15,000	(5,928)	9,072
			3,855,000	3,855,000
			590,000	590,000
			<u>24,079,045</u>	<u>24,079,045</u>
<u>\$ 8,320</u>	<u>\$ 141,862</u>	<u>\$ 472,644</u>	<u>\$ 30,904,695</u>	<u>\$ 31,377,339</u>
<u>\$ 40,841</u>	<u>\$ - 0 -</u>	<u>\$ 63,196</u>	<u>\$ (63,196)</u>	<u>\$ -0-</u>
\$	\$	\$ 13,633	\$ (13,633)	\$
		5,928	(5,928)	
	2,181,043	2,181,043	(2,181,043)	
3,588,589		3,588,589	(3,588,589)	
		<u>2,554,339</u>	<u>(2,554,339)</u>	
<u>\$ 3,588,589</u>	<u>\$ 2,181,043</u>	<u>\$ 8,343,532</u>	<u>\$ (8,343,532)</u>	<u>\$ -0-</u>
<u>\$ 3,637,750</u>	<u>\$ 2,322,905</u>	<u>\$ 8,879,372</u>		
			\$ (8,251,034)	\$ (8,251,034)
			3,448,508	3,448,508
			<u>2,472,281</u>	<u>2,472,281</u>
			<u>\$ (2,330,245)</u>	<u>\$ (2,330,245)</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2024**

Total Fund Balances - Governmental Funds		\$ 8,343,532
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,203,282
Governmental funds do not record a liability for professional fees not payable with current financial resources. However, in the Statement of Net Position, the liability for these services is recorded.		(103,388)
Deferred inflows of resources related to property tax revenues for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		66,306
<p>Certain liabilities are considered long term in nature and are recorded in the government-wide financial statements. These include the following:</p>		
Due to Developers	\$ (2,131,900)	
Accrued Interest Payable	(184,032)	
Bond Anticipation Note Payable	(3,855,000)	
Bonds Payable	<u>(24,669,045)</u>	<u>(30,839,977)</u>
Total Net Position - Governmental Activities		<u>\$ (2,330,245)</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2024

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 1,302,350	\$
Water Service	234,232	
Wastewater Service	338,495	
Service to Other Entities	296,800	
Repressurization Plant		187,022
Penalty and Interest	20,734	
Tap Connection and Inspection Fees	21,682	
Investment and Miscellaneous Revenues	105,475	
TOTAL REVENUES	\$ 2,319,768	\$ 187,022
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 202,818	\$ 3,750
Contracted Services	129,854	71,277
Developer Interest		
Purchased Water Service	532,980	
Purchased Wastewater Service	245,395	
Repressurization Plant Operating Costs	73,911	
Utilities	6,072	15,230
Repairs and Maintenance	407,803	87,206
Depreciation		
Other	90,607	9,559
Capital Outlay		
Debt Service:		
BAN Interest		
Bond Principal		
Bond Interest		
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 1,689,440	\$ 187,022
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 630,328	\$ -0-
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$	\$
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 630,328	\$
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -MAY 1, 2023, AS ADJUSTED	1,943,572	
FUND BALANCES/NET POSITION - APRIL 30, 2024	\$ 2,573,900	\$ -0-

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 2,560,532	\$	\$ 3,862,882	\$ 312	\$ 3,863,194
		234,232		234,232
		338,495		338,495
		296,800		296,800
		187,022	(73,911)	113,111
9,170		29,904	1,722	31,626
		21,682		21,682
99,087	58,256	262,818		262,818
<u>\$ 2,668,789</u>	<u>\$ 58,256</u>	<u>\$ 5,233,835</u>	<u>\$ (71,877)</u>	<u>\$ 5,161,958</u>
\$ 4,471	\$ 173,683	\$ 384,722	\$ (192,750)	\$ 191,972
36,978		238,109		238,109
	1,492,267	1,492,267		1,492,267
		532,980		532,980
		245,395		245,395
		73,911	(73,911)	
		21,302		21,302
		495,009	(3,296)	491,713
			607,583	607,583
33,131	264	133,561		133,561
	12,453,428	12,453,428	(12,453,428)	
	121,928	121,928		121,928
290,000		290,000	(290,000)	
588,276		588,276	115,812	704,088
	1,189,880	1,189,880		1,189,880
<u>\$ 952,856</u>	<u>\$ 15,431,450</u>	<u>\$ 18,260,768</u>	<u>\$ (12,289,990)</u>	<u>\$ 5,970,778</u>
<u>\$ 1,715,933</u>	<u>\$ (15,373,194)</u>	<u>\$ (13,026,933)</u>	<u>\$ 12,218,113</u>	<u>\$ (808,820)</u>
\$	\$ 17,145,000	\$ 17,145,000	\$ (17,145,000)	\$
	(304,363)	(304,363)	304,363	
	233,713	233,713	(233,713)	
<u>\$ -0-</u>	<u>\$ 17,074,350</u>	<u>\$ 17,074,350</u>	<u>\$ (17,074,350)</u>	<u>\$ -0-</u>
\$ 1,715,933	\$ 1,701,156	\$ 4,047,417	\$ (4,047,417)	\$
			(808,820)	(808,820)
1,872,656	479,887	4,296,115	(5,817,540)	(1,521,425)
<u>\$ 3,588,589</u>	<u>\$ 2,181,043</u>	<u>\$ 8,343,532</u>	<u>\$ (10,673,777)</u>	<u>\$ (2,330,245)</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2024**

Net Change in Fund Balances - Governmental Funds	\$ 4,047,417
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	312
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	1,722
Current costs incurred related to prior year legal fees previously recorded as entity-wide payables are recorded as a reduction to expense in the Statement of Activities.	192,750
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(607,583)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	12,456,724
Governmental funds report bond discounts as other financing uses in the year paid. In the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	70,650
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	290,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(115,812)
Governmental funds report bond proceeds and BAN proceeds as other financing sources. Issued debt increase long-term liabilities in the Statement of Net Position.	<u>(17,145,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (808,820)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 421 (the “District”) is a municipal utility district created by Order of the Texas Commission on Environmental Quality on March 1, 2007, under the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates under provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission. All of the District is within the extraterritorial jurisdiction of the City of Houston.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation, and treatment of sanitary sewer and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to provide for the collection and disposal of solid waste, to provide street lighting and to establish, operate, and maintain firefighting facilities and/or parks and recreational facilities, independently or with one or more conservation and reclamation districts.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

Special Revenue Fund – To account for financial resources collected and administered by the District for the operation of the repressurization plant.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of April 30, 2024, the General Fund owed the Special Revenue Fund \$4,807 for

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

operating costs of the repressurization plant; the General Fund owed the Debt Service Fund \$26,611 for over transfer of tax revenues; and the Capital Projects Fund owed the General Fund \$1,324 for bond issuance costs.

Capital Assets

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

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

Budgeting

Annual unappropriated budgets are adopted for both the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The General Fund budget was not amended and the Special Revenue Fund budget for the current year was not amended. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Fund present the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended April 30, 2024:

	May 1, 2023	Additions	Retirements	April 30, 2024
Bonds Payable	\$ 11,935,000	\$ 13,290,000	\$ 290,000	\$ 24,935,000
Unamortized Discounts	(204,539)	(304,363)	(12,397)	(496,505)
Unamortized Premiums	<u> </u>	<u>233,713</u>	<u>3,163</u>	<u>230,550</u>
Total Bonds Payable	<u>\$ 11,730,461</u>	<u>\$ 13,219,350</u>	<u>\$ 280,766</u>	<u>\$ 24,669,045</u>
			Amount Due Within One Year	\$ 590,000
			Amount Due After One Year	<u>24,079,045</u>
			Total Bonds Payable	<u>\$ 24,669,045</u>

The District's bonds payable at April 30, 2024, consist of the following:

	Series 2019	Series 2022	Series 2023
Amount Outstanding – April 30, 2024	\$ 2,810,000	\$ 8,835,000	\$13,290,000
Interest Rates	3.000% - 4.125%	3.00% - 4.25%	4.125% - 6.625%
Maturity Dates – Serially Beginning/Ending	September 1, 2024/2043	September 1, 2024/2048	September 1, 2024/2050
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2028*	September 1, 2030*

* Or any date thereafter, callable at principal plus accrued interest, in whole or from time to time in part, at the option of the District. The Series 2019 term bonds maturing on September 1, 2031, 2033, 2036, 2039 and 2043, are subject to mandatory sinking fund redemption beginning September 1, 2030, 2032, 2034, 2037 and 2040, respectively. The Series 2022 term bonds maturing September 1, 2045 and 2048, are subject to mandatory sinking fund redemption beginning September 1, 2043 and 2046, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 3. LONG-TERM DEBT

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

Fiscal Year	Principal	Interest	Total
2025	\$ 590,000	\$ 1,090,178	\$ 1,680,178
2026	615,000	1,061,591	1,676,591
2027	635,000	1,031,616	1,666,616
2028	665,000	1,000,006	1,665,006
2029	690,000	966,637	1,656,637
2030-2034	3,890,000	4,291,198	8,181,198
2035-2039	4,675,000	3,391,803	8,066,803
2040-2044	5,565,000	2,313,000	7,878,000
2045-2049	6,110,000	1,046,443	7,156,443
2050-2051	1,500,000	71,250	1,571,250
	<u>\$ 24,935,000</u>	<u>\$ 16,263,722</u>	<u>\$ 41,198,722</u>

As of April 30, 2024, the District had authorized but unissued bonds in the amount of \$56,875,000 for utility facilities and refunding purposes. 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.

During the year ended April 30, 2024, the District levied an ad valorem debt service tax rate of \$0.83 per \$100 of assessed valuation, which resulted in a tax levy of \$2,572,881 on the adjusted taxable valuation of \$309,985,718 for the 2023 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government.

The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$404,715 and the bank balance was \$490,540. The District was not exposed to custodial credit risk at year-end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 38,521	\$ 239,120	\$ 277,641
SPECIAL REVENUE FUND	10,331		10,331
DEBT SERVICE FUND	54,686		54,686
CAPITAL PROJECTS FUND	62,057		62,057
TOTAL DEPOSITS	\$ 165,595	\$ 239,120	\$ 404,715

Investments

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act. As of April 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 2,375,426	\$ 2,375,426
Certificates of Deposit	239,120	239,120
<u>DEBT SERVICE FUND</u>		
TexSTAR	3,515,612	3,515,612
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	2,260,848	2,260,848
TOTAL INVESTMENTS	\$ 8,391,006	\$ 8,391,006

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

The District records certificates of deposit at acquisition cost.

Credit risk is the risk that the issuer or other counterparty for an investment will not fulfill its obligations. As of April 30, 2024, the District’s investment in TexSTAR was rated “AAAm” by Standard and Poor’s Rating Service. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and/or pledged collateral.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexSTAR to have a maturity of less than one year due to the fact the share position can be redeemed each day at the discretion of the District. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Special Revenue Fund are restricted to pay operating costs of the repressurization plant. All cash and investments of the Debt Service Fund are restricted for the payment of debt and the cost of assessing and collecting taxes. All the cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

The District's capital assets as of April 30, 2024 are as follows:

	<u>May 1, 2023*</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2024</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,002,928	\$ 3,903,095	\$	\$ 5,906,023
Construction in Progress		5,995,379	5,952,461	42,918
Total Capital Assets Not Being Depreciated	<u>\$ 2,002,928</u>	<u>\$ 9,898,474</u>	<u>\$ 5,952,461</u>	<u>\$ 5,948,941</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,743,349	\$ 70,267	\$	\$ 3,813,616
Wastewater System	4,401,033	72,215		4,473,248
Drainage System	7,478,515	1,906,884		9,385,399
Total Capital Assets Subject to Depreciation	<u>\$ 15,622,897</u>	<u>\$ 2,049,366</u>	<u>\$ - 0 -</u>	<u>\$ 17,672,263</u>
Accumulated Depreciation				
Water System	\$ 1,034,902	\$ 119,757	\$	\$ 1,154,659
Wastewater System	1,263,496	146,938		1,410,434
Drainage System	511,941	340,888		852,829
Total Accumulated Depreciation	<u>\$ 2,810,339</u>	<u>\$ 607,583</u>	<u>\$ - 0 -</u>	<u>\$ 3,417,922</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,812,558</u>	<u>\$ 1,441,783</u>	<u>\$ - 0 -</u>	<u>\$ 14,254,341</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 14,815,486</u>	<u>\$ 11,340,257</u>	<u>\$ 5,952,461</u>	<u>\$ 20,203,282</u>

*As Adjusted, Note 16

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 7. MAINTENANCE TAX

On May 12, 2007, the voters of the District approved the levy and collection of an unlimited maintenance tax per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended April 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.42 per \$100 of assessed valuation, which resulted in a tax levy of \$1,301,940 on the adjusted taxable valuation of \$309,985,718 for the 2023 tax year.

NOTE 8. CONTRACTS WITH THE CITY OF HOUSTON

The District obtains its potable water directly from the City of Houston ("City") pursuant to the January 18, 2007 Treated Surface Water Supply Contract ("Water Supply Agreement") by and between the City, Land Development Company, Ltd. and Sowell Equities-Forestwood, L.P. This contract was assigned to the District on June 28, 2007. The water is supplied through a 16-inch water main along US Highway 90. The contact term is 40 years. The Water Supply Agreement provides for payment to the City for a minimum monthly quantity of water, whether taken or not. The minimum monthly quantity may be adjusted up to once per year upon District request to the City. The District does not have water wells of its own but has constructed and owns a surface water repressurization facility ("Repressurization Plant") in which another district owns a beneficial interest (see Note 9). The Repressurization Plant is capable of providing water supply sufficient to serve 2,100 equivalent single-family connections ("ESFC") at 300 gallons per day per connection.

The District is supplied wastewater treatment service by the City pursuant to the Sanitary Sewer Service Agreement between and among the City, Land Development, Ltd. and Sowell Equities-Forestwood, L.P. on behalf of the District ("Wastewater Agreement") dated October 10, 2006. Under the Wastewater Agreement the City includes the District in the service area of its wastewater system. Wastewater from the District is transported to the City's treatment facility through a 12-inch sanitary sewer force main along US Highway 90. The District is billed by the City for sewer service based on the metered water delivered during the month, as measured by individual customer meters, times the City's wholesale wastewater rate. This agreement was amended November 18, 2021 to allow for out-of-district service to a commercial customer located in Northeast Harris County MUD No. 1.

During the current fiscal year, the District incurred costs of \$532,980 for purchased water and \$245,395 for purchased wastewater. See Note 9 for the District's billing to Northeast Harris County Municipal Utility District No. 1 for its share of purchased water costs.

NOTE 9. JOINT FACILITIES AGREEMENT

On May 22, 2006, the District's developers entered into a contract ("Water Supply Cost Share Agreement") on behalf of the District with Northeast Harris County Municipal Utility District No. 1 ("District No. 1") to share the costs of construction of offsite and onsite water supply lines and

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 9. JOINT FACILITIES AGREEMENT (Continued)

facilities, including the Repressurization Plant, and to provide District No. 1 with treated surface water purchased from the City by the District. The Water Supply Cost Share Agreement was subsequently amended to among other things adjust the water supply capacity allocated to each district in the Repressurization Plant, resulting in the allocation of 830 ESFCs to the District and 1,270 ESFCs to District No. 1, and to provide for future expansion of the Repressurization Plant to provide additional water supply capacity to either district. Each district paid its share of the design and construction of the facilities which permit the conveyance of surface water from the City to the districts. The District bills District No. 1 monthly for water supplied the same rate paid by the District to the City. District No. 1 reimbursed the District its share of purchased water costs totaling \$296,800.

The District established a separate operating account for the operations and maintenance of the Repressurization Plant. The districts share all operating costs of the Repressurization Plant, with the exception of water, based on capacity which is currently 39.52% for the District and 60.48% for District No. 1. The District and District No. 1 funded an operating reserve in the amount of \$5,928 and \$9,072, respectively.

NOTE 10. SEWER SERVICE AGREEMENT

The District entered into an Out-of-District Service Agreement with District No. 1 on November 10, 2021. Under the agreement, District No. 1 may discharge up to 15,000 gpd (50 equivalent single-family connections) of waste to the District for ultimate discharge to the City for treatment at City facilities. During the current fiscal year, no service was provided pursuant to the agreement.

NOTE 11. UNREIMBURSED COSTS

The District has executed financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with utility infrastructure. Reimbursement for these costs will come from the future sale of bonds or other lawfully authorized funds. Transactions for the current year are summarized below:

Due to Developer, May 1, 2023	\$ 8,590,246
Current Year Reimbursements	<u>6,458,346</u>
Due to Developer, April 30, 2024	<u>\$ 2,131,900</u>

NOTE 12. RISK MANAGEMENT

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2024

NOTE 13. BOND SALE

On December 20, 2023, the District closed on the sale of its Series 2023 Unlimited Tax Bonds in the amount of \$13,290,000. Proceeds were used to reimburse Developers for engineering and construction costs of: detention pond, including repairs, to serve HFWS and Purple Sage extension; Northpoint 90 Logistics Center public detention ponds; water line and wastewater collection line extension; land acquisition; and developer interest. In addition, proceeds were or will be used to fund bond issuance costs and construction and engineering for the water plant expansion.

NOTE 14. BOND ANTICIPATION NOTE

On September 21, 2023, the District sold its Series 2023 Bond Anticipation Note (“BAN”) in the amount of \$3,855,000 at 5.32% to mature within one year. Proceeds were used to reimburse Developers for 70% engineering and construction costs of: water distribution, wastewater collection and drainage facilities to serve the single-family development within Imperial Forest, Section 1, Phase 2, Sections 2, 3, 4 & Channel Crossing; Imperial Forest-clearing and grubbing; Imperial Forest-detention and channel improvements; Land acquisition-east detention reserve; and fund developer interest and costs of issuing the BAN.

NOTE 15. SUBSEQUENT EVENT – BOND SALE

Subsequent to year-end, on May 21, 2024, the District closed on the sale of its Series 2024 Unlimited Tax Bonds in the amount of \$6,530,000. Proceeds were used to redeem the Series 2023 BAN and reimburse Developers for additional engineering and construction costs of: water distribution, wastewater collection and drainage facilities to serve the single-family development within Imperial Forest, Section 1, Phase 2, Sections 2, 3, 4 & Channel Crossing; Imperial Forest-clearing and grubbing; Imperial Forest-detention and channel improvements; Land acquisition-east detention reserve; and developer interest. In addition, proceeds were used to fund BAN costs and issuance of the bonds.

NOTE 16. PRIOR PERIOD ADJUSTMENT

The District adjusted its government-wide financial statements restating its capital asset balance to reduce accumulated depreciation, overstated in a prior year. As a result, beginning net position was restated as follows:

Net Position - May 1, 2023	\$ (2,682,448)
Effect of Adjustment	<u>1,161,023</u>
Net Position - May 1, 2023, As Adjusted	<u>\$ (1,521,425)</u>

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,000,000	\$ 1,302,350	\$ 302,350
Water and Wastewater Service (including penalties)	495,000	593,461	98,461
Service to Other Entities	200,000	296,800	96,800
Tap Connection and Inspection Fees	200,000	21,682	(178,318)
Investment and Miscellaneous Revenues	25,000	105,475	80,475
TOTAL REVENUES	\$ 1,920,000	\$ 2,319,768	\$ 399,768
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 170,000	\$ 202,818	\$ (32,818)
Contracted Services	125,000	129,854	(4,854)
Purchased Water Service	350,000	532,980	(182,980)
Purchased Wastewater Service	175,000	245,395	(70,395)
Repressurization Plant Operating Costs	120,000	73,911	46,089
Utilities	10,000	6,072	3,928
Repairs and Maintenance	330,000	407,803	(77,803)
Other	202,750	90,607	112,143
TOTAL EXPENDITURES	\$ 1,482,750	\$ 1,689,440	\$ (206,690)
NET CHANGE IN FUND BALANCE	\$ 437,250	\$ 630,328	\$ 193,078
FUND BALANCE - MAY 1, 2023	1,943,572	1,943,572	_____
FUND BALANCE - APRIL 30, 2024	\$ 2,380,822	\$ 2,573,900	\$ 193,078

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED APRIL 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Repressurization Plant	\$ 198,250	\$ 187,022	\$ (11,228)
TOTAL REVENUES	\$ 198,250	\$ 187,022	\$ (11,228)
 EXPENDITURES			
Service Operations:			
Professional Fees	\$ 3,500	\$ 3,750	\$ (250)
Contracted Services (including maintenance)	162,500	158,483	4,017
Utilities	20,000	15,230	4,770
Other	12,250	9,559	2,691
TOTAL EXPENDITURES	\$ 198,250	\$ 187,022	\$ 11,228
 NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
 FUND BALANCE - MAY 1, 2023	_____	_____	_____
 FUND BALANCE - APRIL 30, 2024	\$ -0-	\$ -0-	\$ -0-

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

APRIL 30, 2024

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2024**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the fee schedule effective May 25, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$29.60	5,000	N	\$5.38	5,001 and up
WASTEWATER:	\$52.15	5,000	N	\$7.43	5,001 and up
SURCHARGE:					
Commission					
Regulatory Assessments	0.5% of actual water and wastewater charges				

Total monthly charges per 10,000 gallons usage: Water: \$56.50 Wastewater: \$89.30 Surcharge: \$0.73 Total: \$146.53

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	450	449	x 1.0	449
1"	4	4	x 2.5	10
1½"	2	2	x 5.0	10
2"	8	8	x 8.0	64
3"			x 15.0	
4"			x 25.0	
6"	1	1	x 50.0	50
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	<u>467</u>	<u>466</u>		<u>743</u>
Total Wastewater Connections	<u>457</u>	<u>456</u>	x 1.0	<u>456</u>

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

Gallons billed to customers:	36,292,000	Water Accountability Ratio: 90.6% (Gallons billed and sold/Gallons purchased)
Gallons sold:	49,377,000	To: <u>Northeast Harris County Municipal Utility District No. 1</u>
Gallons purchased:	94,536,000	From: <u>City of Houston, Texas</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2024

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2024

PROFESSIONAL FEES:	
Auditing	\$ 15,000
Engineering	123,686
Legal	<u>64,132</u>
TOTAL PROFESSIONAL FEES	<u>\$ 202,818</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 532,980
Purchased Wastewater Service	245,395
Repressurization Plant Operating Costs	<u>73,911</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 852,286</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 22,475
Operations and Billing	20,309
Solid Waste Disposal	<u>87,070</u>
TOTAL CONTRACTED SERVICES	<u>\$ 129,854</u>
UTILITIES	<u>\$ 6,072</u>
REPAIRS AND MAINTENANCE	<u>\$ 407,803</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 10,849
Insurance	129
Legal Notices	1,426
Office Supplies and Postage	18,502
Travel and Meetings	992
Other	<u>10,948</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 42,846</u>
TAP CONNECTIONS	<u>\$ 26,828</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 7,050
Permit Fees	180
Inspection and Reconnection Fees	11,052
Regulatory Assessment	<u>2,651</u>
TOTAL OTHER EXPENDITURES	<u>\$ 20,933</u>
TOTAL EXPENDITURES	<u><u>\$ 1,689,440</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
INVESTMENTS
APRIL 30, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexSTAR	*2220	Varies	Daily	\$ 2,375,426	\$
Certificate of Deposit	*6878	5.26%	10/29/24	<u>239,120</u>	<u>35</u>
TOTAL GENERAL FUND				<u>\$ 2,614,546</u>	<u>\$ 35</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	*3330	Varies	Daily	<u>\$ 3,515,612</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	*4440	Varies	Daily	<u>\$ 2,260,848</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 8,391,006</u></u>	<u><u>\$ 35</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2024

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
MAY 1, 2023	\$	27,788	\$	35,096
Adjustments to Beginning				
Balance		<u>(5,023)</u>		<u>(6,604)</u>
	\$	22,765	\$	28,492
Original 2023 Tax Levy	\$	1,091,279	\$	2,156,575
Adjustment to 2023 Tax Levy		<u>210,661</u>	<u>1,301,940</u>	<u>2,572,881</u>
TOTAL TO BE				
ACCOUNTED FOR	\$	1,324,705	\$	2,601,373
TAX COLLECTIONS:				
Prior Years	\$	19,793	\$	25,956
Current Year		<u>1,282,557</u>	<u>1,302,350</u>	<u>2,560,532</u>
TAXES RECEIVABLE -				
APRIL 30, 2024		<u>\$ 22,355</u>		<u>\$ 40,841</u>
TAXES RECEIVABLE BY				
YEAR:				
2023	\$	19,383	\$	38,305
2022		1,598		2,102
2021		32		35
2020		268		263
2019		80		53
2018		72		83
2017		169		
2016		152		
2015		186		
2014		206		
2013		<u>209</u>		<u> </u>
TOTAL	\$	<u>22,355</u>	\$	<u>40,841</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2024

	2023	2022	2021	2020
PROPERTY VALUATIONS:				
Land	\$ 68,982,960	\$ 68,559,875	\$ 54,516,075	\$ 26,607,746
Improvements	200,058,120	90,040,209	52,447,676	26,608,489
Personal Property	55,225,053	16,903,521	476,843	238,569
Exemptions	(14,280,415)	(12,692,496)	(5,169,341)	(6,089,313)
TOTAL PROPERTY VALUATIONS	\$ 309,985,718	\$ 162,811,109	\$ 102,271,253	\$ 47,365,491
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.83	\$ 0.71	\$ 0.65	\$ 0.62
Maintenance	0.42	0.54	0.60	0.63
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25
ADJUSTED TAX LEVY*	\$ 3,874,821	\$ 2,035,139	\$ 1,278,391	\$ 592,069
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	98.51 %	99.82 %	99.99 %	99.91 %

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

Maintenance Tax – Unlimited tax rate per \$100 of assessed valuation approved by voters on May 12, 2007.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2024

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2025	\$ 95,000	\$ 106,375	\$ 201,375
2026	100,000	103,450	203,450
2027	100,000	100,387	200,387
2028	105,000	97,119	202,119
2029	110,000	93,556	203,556
2030	115,000	89,688	204,688
2031	120,000	85,425	205,425
2032	125,000	80,832	205,832
2033	130,000	76,050	206,050
2034	135,000	71,081	206,081
2035	140,000	65,750	205,750
2036	145,000	60,050	205,050
2037	150,000	54,150	204,150
2038	155,000	47,953	202,953
2039	165,000	41,353	206,353
2040	170,000	34,444	204,444
2041	175,000	27,328	202,328
2042	185,000	19,903	204,903
2043	190,000	12,169	202,169
2044	200,000	4,125	204,125
2045			
2046			
2047			
2048			
2049			
2050			
2051			
	<u>\$ 2,810,000</u>	<u>\$ 1,271,188</u>	<u>\$ 4,081,188</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2024

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2025	\$ 210,000	\$ 345,300	\$ 555,300
2026	220,000	338,850	558,850
2027	230,000	331,813	561,813
2028	240,000	324,175	564,175
2029	250,000	315,900	565,900
2030	260,000	306,325	566,325
2031	270,000	295,725	565,725
2032	280,000	284,725	564,725
2033	290,000	273,325	563,325
2034	300,000	261,525	561,525
2035	310,000	249,325	559,325
2036	320,000	236,725	556,725
2037	330,000	223,725	553,725
2038	340,000	210,325	550,325
2039	350,000	196,525	546,525
2040	360,000	182,325	542,325
2041	375,000	167,625	542,625
2042	375,000	152,625	527,625
2043	385,000	137,425	522,425
2044	390,000	121,925	511,925
2045	550,000	103,125	653,125
2046	550,000	81,125	631,125
2047	550,000	58,437	608,437
2048	550,000	35,063	585,063
2049	550,000	11,687	561,687
2050			
2051			
	<u>\$ 8,835,000</u>	<u>\$ 5,245,650</u>	<u>\$ 14,080,650</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2024

S E R I E S - 2 0 2 3

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2025	\$ 285,000	\$ 638,503	\$ 923,503
2026	295,000	619,291	914,291
2027	305,000	599,416	904,416
2028	320,000	578,712	898,712
2029	330,000	557,181	887,181
2030	345,000	534,822	879,822
2031	360,000	511,469	871,469
2032	370,000	490,294	860,294
2033	385,000	473,103	858,103
2034	405,000	456,809	861,809
2035	420,000	439,531	859,531
2036	435,000	421,363	856,363
2037	455,000	402,166	857,166
2038	470,000	381,931	851,931
2039	490,000	360,931	850,931
2040	510,000	339,056	849,056
2041	530,000	315,975	845,975
2042	550,000	291,675	841,675
2043	575,000	266,363	841,363
2044	595,000	240,037	835,037
2045	620,000	212,312	832,312
2046	645,000	183,059	828,059
2047	670,000	152,650	822,650
2048	700,000	120,969	820,969
2049	725,000	88,016	813,016
2050	750,000	53,437	803,437
2051	750,000	17,813	767,813
	<u>\$ 13,290,000</u>	<u>\$ 9,746,884</u>	<u>\$ 23,036,884</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 590,000	\$ 1,090,178	\$ 1,680,178
2026	615,000	1,061,591	1,676,591
2027	635,000	1,031,616	1,666,616
2028	665,000	1,000,006	1,665,006
2029	690,000	966,637	1,656,637
2030	720,000	930,835	1,650,835
2031	750,000	892,619	1,642,619
2032	775,000	855,851	1,630,851
2033	805,000	822,478	1,627,478
2034	840,000	789,415	1,629,415
2035	870,000	754,606	1,624,606
2036	900,000	718,138	1,618,138
2037	935,000	680,041	1,615,041
2038	965,000	640,209	1,605,209
2039	1,005,000	598,809	1,603,809
2040	1,040,000	555,825	1,595,825
2041	1,080,000	510,928	1,590,928
2042	1,110,000	464,203	1,574,203
2043	1,150,000	415,957	1,565,957
2044	1,185,000	366,087	1,551,087
2045	1,170,000	315,437	1,485,437
2046	1,195,000	264,184	1,459,184
2047	1,220,000	211,087	1,431,087
2048	1,250,000	156,032	1,406,032
2049	1,275,000	99,703	1,374,703
2050	750,000	53,437	803,437
2051	750,000	17,813	767,813
	<u>\$ 24,935,000</u>	<u>\$ 16,263,722</u>	<u>\$ 41,198,722</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED APRIL 30, 2024

Description	Original Bonds Issued	Bonds Outstanding May 1, 2023
Harris County Municipal Utility District No. 421 Unlimited Tax Bonds - Series 2019	\$ 3,150,000	\$ 2,900,000
Harris County Municipal Utility District No. 421 Unlimited Tax Bonds - Series 2022	9,035,000	9,035,000
Harris County Municipal Utility District No. 421 Unlimited Tax Bonds - Series 2023	<u>13,290,000</u>	<u> </u>
TOTAL	<u>\$ 25,475,000</u>	<u>\$ 11,935,000</u>

Bond Authority:	<u>Tax Bonds and Refunding Bonds</u>
Amount Authorized by Voters	\$ 82,350,000
Amount Issued	<u>25,475,000</u>
Remaining to be Issued	<u>\$ 56,875,000</u>

Debt Service Fund cash and investment balances as of April 30, 2024: \$ 3,570,298

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,525,879

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding April 30, 2024</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 90,000	\$ 109,037	\$ 2,810,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	200,000	351,450	8,835,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>13,290,000</u>		<u>127,789</u>	<u>13,290,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 13,290,000</u>	<u>\$ 290,000</u>	<u>\$ 588,276</u>	<u>\$ 24,935,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,302,350	\$ 902,683	\$ 612,677
Water Service	234,232	139,850	88,118
Wastewater Service	338,495	249,497	192,283
Service to Other Entities	296,800	118,287	175,021
Penalty and Interest	20,734	14,601	6,116
Tap Connection and Inspection Fees	21,682	507,270	358,290
Investment and Miscellaneous Revenues	105,475	55,972	211,824
TOTAL REVENUES	\$ 2,319,768	\$ 1,988,160	\$ 1,644,329
EXPENDITURES			
Professional Fees	\$ 202,818	\$ 169,122	\$ 117,659
Contracted Services	129,854	105,287	74,255
Purchased Water and Wastewater Service	778,375	457,469	365,287
Repressurization Plant Operating Costs	73,911	71,907	75,410
Utilities	6,072	6,951	13,587
Repairs and Maintenance	407,803	314,394	164,526
Other	90,607	295,565	206,989
Bond Issuance Costs			37,533
Capital Outlay			20,968
TOTAL EXPENDITURES	\$ 1,689,440	\$ 1,420,695	\$ 1,076,214
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 630,328	\$ 567,465	\$ 568,115
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ 37,533	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 630,328	\$ 604,998	\$ 568,115
BEGINNING FUND BALANCE	1,943,572	1,338,574	770,459
ENDING FUND BALANCE	\$ 2,573,900	\$ 1,943,572	\$ 1,338,574

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2021	2020	2024	2023	2022	2021	2020		
\$ 250,768	\$ 309,802	56.1 %	45.4 %	37.2 %	30.3 %	47.1 %		
79,841	51,855	10.1	7.0	5.4	9.6	7.9		
129,507	74,331	14.6	12.6	11.7	15.6	11.3		
133,082	159,407	12.8	6.0	10.6	16.1	24.2		
3,908	2,675	0.9	0.7	0.4	0.5	0.4		
221,730	47,400	0.9	25.5	21.8	26.8	7.2		
9,467	12,518	4.6	2.8	12.9	1.1	1.9		
<u>\$ 828,303</u>	<u>\$ 657,988</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 99,738	\$ 78,585	8.7 %	8.5 %	7.2 %	12.0 %	12.0 %		
54,703	44,730	5.6	5.3	4.5	6.6	6.8		
278,535	264,547	33.6	23.0	22.2	33.6	40.2		
60,818	68,008	3.2	3.6	4.6	7.3	10.3		
8,026	6,128	0.3	0.3	0.8	1.0	0.9		
98,610	52,388	17.6	15.8	10.0	11.9	8.0		
137,494	58,495	3.9	14.9	12.6	16.6	8.9		
				2.3				
				1.3				
<u>\$ 737,924</u>	<u>\$ 572,881</u>	<u>72.9 %</u>	<u>71.4 %</u>	<u>65.5 %</u>	<u>89.0 %</u>	<u>87.1 %</u>		
<u>\$ 90,379</u>	<u>\$ 85,107</u>	<u>27.1 %</u>	<u>28.6 %</u>	<u>34.5 %</u>	<u>11.0 %</u>	<u>12.9 %</u>		
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>							
\$ 90,379	\$ 85,107							
680,080	594,973							
<u>\$ 770,459</u>	<u>\$ 680,080</u>							

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 2,560,532	\$ 1,173,818	\$ 652,735
Penalty and Interest	9,170	5,850	
Investment and Miscellaneous Revenues	99,087	107,802	666
TOTAL REVENUES	\$ 2,668,789	\$ 1,287,470	\$ 653,401
EXPENDITURES			
Tax Collection Expenditures	\$ 73,005	\$ 25,344	\$ 16,993
Debt Service Principal	290,000	85,000	85,000
Debt Service Interest and Fees	589,851	262,537	113,547
TOTAL EXPENDITURES	\$ 952,856	\$ 372,881	\$ 215,540
NET CHANGE IN FUND BALANCE	\$ 1,715,933	\$ 914,589	\$ 437,861
BEGINNING FUND BALANCE	1,872,656	958,067	520,206
ENDING FUND BALANCE	\$ 3,588,589	\$ 1,872,656	\$ 958,067
TOTAL ACTIVE RETAIL WATER CONNECTIONS	466	432	357
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	456	423	349

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 263,586	\$ 211,302	96.0 %	91.2 %	99.9 %	95.1 %	94.9 %
12,501	3,794	0.3	0.5		4.5	1.7
959	7,568	3.7	8.3	0.1	0.4	3.4
<u>\$ 277,046</u>	<u>\$ 222,664</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 17,732	\$ 8,781	2.7 %	2.0 %	2.6 %	6.4 %	4.0 %
80,000		10.9	6.6	13.0	28.9	
<u>116,320</u>	<u>120,517</u>	<u>22.1</u>	<u>20.4</u>	<u>17.4</u>	<u>42.0</u>	<u>54.1</u>
<u>\$ 214,052</u>	<u>\$ 129,298</u>	<u>35.7 %</u>	<u>29.0 %</u>	<u>33.0 %</u>	<u>77.3 %</u>	<u>58.1 %</u>
\$ 62,994	\$ 93,366	<u>64.3 %</u>	<u>71.0 %</u>	<u>67.0 %</u>	<u>22.7 %</u>	<u>41.9 %</u>
<u>457,212</u>	<u>363,846</u>					
<u>\$ 520,206</u>	<u>\$ 457,212</u>					
<u>268</u>	<u>165</u>					
<u>263</u>	<u>162</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2024

District Mailing Address - Harris County Municipal Utility District No. 421
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended April 30, 2024	Expense Reimbursements for the year ended April 30, 2024	Title
Mark Russell Yokem	05/22 - 05/26 (Elected)	\$ 1,326	\$ 304	President
Karen W. Rogers	05/20 - 05/24 (Elected)	\$ 2,581	\$ 160	Vice President
Jason Bailey	05/20 - 05/24 (Elected)	\$ 1,918	\$ 96	Secretary
Anthony Clasen	05/22 - 05/26 (Elected)	\$ 2,068	\$ 117	Treasurer/ Assistant Secretary
Christian Walker	04/23 - 05/26 (Appointed)	\$ 2,139	\$ 167	Director

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

The submission date of the most recent District Registration Form was: July 3, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 20, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 421
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2024 District</u>	<u>Fees for the year ended April 30, 2024 Repressurization Plant</u>	<u>Title</u>
Smith, Murdaugh, Little, & Bonham, L.L.P.	03/08/07	\$ 670,438 \$ 4,471	\$ -0- \$ -0-	General Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	04/15/10	\$ 45,500	\$ 3,750	Auditor
Myrtle Cruz, Inc.	03/08/07	\$ 33,161	\$ 6,000	Bookkeeper
Edminster, Hinshaw, Russ & Associates, Inc.	03/08/07	\$ 217,572	\$ -0-	Engineer
Masterson Advisors LLC	04/19/18	\$ 248,796	\$ -0-	Financial Advisor
Mary Jarmon	06/28/07	\$ -0-	\$ -0-	Investment Officer
INFRAMARK, LLC	11/15/07	\$ 399,514	\$ 154,807	Operator
Assessments of the Southwest, Inc.	03/08/07	\$ 12,371	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN