HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5, OF HARRIS COUNTY, TEXAS

(Harris County, Texas)

PRELIMINARY OFFICIAL STATEMENT

DATED: APRIL 17, 2024

$11,160,000
UNLIMITED TAX BONDS
SERIES 2024

BIDS DUE: 12:00 NOON, HOUSTON TIME
BONDS AWARDED: 5:00 P.M., HOUSTON TIME
WEDNESDAY, MAY 15, 2024
HOUSTON, TEXAS

RATHMANN & ASSOCIATES

Financial Advisor to the District

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 17, 2024

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

*The District will **NOT** designate the Bonds as "qualified tax-exempt obligations" for financial institutions.*

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (Underlying)…. "BBB+" (stable outlook)
See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" herein

$11,160,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5, OF HARRIS COUNTY, TEXAS
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2024

Dated Date: June 1, 2024
Interest Accrual Date: Date of Delivery

Due: September 1, as shown on the inside cover

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected June 26, 2024) (the "Date of Delivery"), and is payable on March 1, 2025, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

The Bonds are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 5, of Harris County, Texas (the "District"), as a whole or in part, on September 1, 2029, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

See Maturity Schedule on the inside cover

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS - Source and Security for Payment." Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Marks Richardson PC, Houston, Texas, Bond Counsel. Certain other matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas as Disclosure Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about June 26, 2024.

MATURITY SCHEDULE

CUSIP Prefix (a): 414204

Maturity (Due September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
2041 (c)	$610,000	%	%	
2042 (c)	645,000			
2043 (c)	680,000			
2044 (c)	715,000			
2045 (c)	755,000			
2046 (c)	800,000			
2047 (c)	840,000			
2048 (c)	890,000			
2049 (c)	935,000			
2050 (c)	990,000			
2051 (c)	1,040,000			
2052 (c)	1,100,000			
2053 (c)	1,160,000			

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by CUSIP Global Services and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.

(c) Subject to optional redemption as described on the front cover.

(d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, 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 the District c/o Marks Richardson PC, 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098 upon payment of the costs for duplication thereof.

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 condition of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter, and thereafter only as described under "GENERAL CONSIDERATIONS - Updating of Official Statement."

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 jurisdictions.

Municipal Bond Insurance and Ratings

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

BOND INSURANCE RISK FACTORS

As is stated above under the caption "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings," applications have been made to insurers to issue a commitment for municipal bond guaranty insurance on the Bonds. If the Underwriter purchases such municipal bond guaranty insurance on the Bonds as set forth under such caption, in the event of default of the payment of principal of or interest on the Bonds when all or some become due, any owner of the Bonds shall have a claim under the municipal bond guaranty insurance policy (the "Policy") for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of any such insurer and its claims paying ability. An 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 an insurer and the ratings on bonds insured by any such insurer, including the Bonds, would not be subject to downgrade. Such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

Neither the District, nor to the knowledge of the District the Underwriter, has made independent investigation into the claims paying ability of any potential insurer of the Bonds and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is made by either the District or the Underwriter. Therefore, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of any potential insurer, particularly over the life of the investment. See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance and Ratings" above for further information regarding the District's application for municipal bond guaranty insurance on the Bonds.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Municipal Utility District No. 5, of Harris County, Texas (the "District") is a political subdivision of the State of Texas located within Harris County, Texas. See "THE DISTRICT - General."
Description	$11,160,000 Unlimited Tax Bonds, Series 2024, are dated June 1, 2024, and mature on September 1 in the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the Date of Delivery (as defined herein), and is payable on March 1, 2025, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2029, or on any date thereafter at the option of the District. See "THE BONDS - General" and - "Redemption."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "Book-Entry-Only System").
Source of Payment	Principal of and interest on the Bonds and the Outstanding Bonds (hereinafter defined) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS - Source and Security for Payment," "TAX DATA - Tax Rate Calculations," and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of the acquisition or construction of wastewater treatment plant rehabilitation, Lift Station No. 3 rehabilitation, Water Well No. 4 arsenic system, wastewater cleaning and televising, wastewater rehabilitation and land costs; (ii) make payment to the developers of land located within the District for the District's cost of the acquisition or construction of water, wastewater and drainage facilities to serve Acorn Meadow and Hugh Landing; (iii) capitalize interest in the amount of $613,800 to be deposited in the District's Bond Fund upon

delivery of the Bonds; (iv) pay interest to the developers of land located within the District for advances made on behalf of the District; (v) pay engineering fees associated with the design and construction of the aforementioned projects; and (vi) pay administrative and issuance costs, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ"), and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Outstanding Bonds and Payment Record..........

The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1972 (the "Series 1972 Bonds"), Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1975 (the "Series 1975 Bonds"); Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1978 (the "Series 1978 Bonds"); Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1979 (the "Series 1979 Bonds"); Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1986 (the "Series 1986 Bonds"), Unlimited Tax Bonds, Series 1992 (the "Series 1992 Bonds"), Unlimited Tax Bonds, Series 1997 (the "Series 1997 Bonds"), Unlimited Tax Bonds, Series 1999 (the "Series 1999 Bonds"), Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"), Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"), Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"), Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds") and Unlimited Tax Bonds, Series 2020A (the "Series 2020A Bonds") to finance the acquisition or construction of water, sanitary sewer and drainage facilities (collectively, the "System"). The District has also issued Unlimited Tax Refunding Bonds, Series 1994 (the "Series 1994 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2001 (the "Series 2001 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds") to refund certain maturities of the District's prior issued indebtedness. Collective reference is made in this Official Statement to the District's prior issued debt as the "Prior Bonds." The District has never defaulted in the timely payment of principal of or interest on the Prior Bonds. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was $18,460,000 (the "Outstanding Bonds"), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be $29,620,000. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

Authorized But Unissued Bonds	After issuance of the Bonds, there will be $27,320,000 bonds authorized but unissued for waterworks, wastewater, and drainage facilities or for refunding outstanding bonds and $4,441,408.57 bonds will remain authorized but unissued for the sole purpose of refunding outstanding bonds. See "THE BONDS - Issuance of Additional Debt."
Municipal Bond Insurance and Rating	Applications have been made to Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual ("BAM") to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the S&P rating fees as described below. S&P has assigned an underlying rating of "BBB+" (stable outlook) to the Bonds. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by S&P, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The District will pay the cost of both the underlying rating of S & P and the S & P's rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Preliminary Official Statement under the caption "NO MATERIAL ADVERSE CHANGE," the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Insurance."
Legal Opinion	Marks Richardson PC, Houston, Texas, Bond Counsel. See "LEGAL MATTERS."
Not Qualified Tax-Exempt Obligations	The District will **not** designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas, created by Order of the Texas Water Rights Commission, a predecessor of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") on December 14, 1971. The District

contains approximately 723.02 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located approximately sixteen miles northwest of the central business district of the City, approximately 2 miles west of Interstate Highway 45, and approximately 2 miles north of the Sam Houston Tollway. The District is bounded on the south in part by Gears Road, and Spears Road is located approximately ½ mile north of the District. See "THE DISTRICT - General" and - "Description," and "APPENDIX A - LOCATION MAP."

Authority .... The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas, as amended, and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT - General."

Development and Home Construction .... Land within the District has been developed primarily for single family residential usage. As is enumerated in the chart that appears under the caption "DEVELOPMENT AND HOME CONSTRUCTION," the District contains 1,917 fully developed single-family residential lots on all of which lots single-family residences have been constructed, including 30 single-family residences that are currently under construction. Such 1,917 single-family residential lots (an aggregate of approximately 406.48 acres, which does not include reserves) have been platted as Rushwood, Sections 1 through 6, Green Oak Park, Sections 1 through 4, Spears Crossing, Acorn Meadow and Hugh Landing. Stonefield Homes is currently constructing homes in the District which range from approximately 1,162 to 1,767 square feet in size of living area and in sales price from approximately $280,000 to $315,000.

Approximately 16.68 additional developed acres located within the District contain a manufacturing facility. Approximately 6.1 additional developed acres located within the District contain an aggregate of approximately 32,000 square feet of commercial improvements. In addition to the aforementioned developed property, the District also contains approximately 207.99 acres of land owned by the Aldine Independent School District that are not subject to taxation by the District, on which the Richard and Kitty Spence Elementary School, the William J. ("Bill") Plummer Middle School and the Ella Boulevard High School and 9th Grade Center have been constructed, and unrestricted reserves and other property aggregating approximately 41.36 acres on which no taxable above-ground improvements have yet been constructed. According to the District's Engineer, underground water, sewer and drainage facilities and street paving to serve all of such approximately 41.36 acres of unrestricted reserves and other property have been constructed to (or are in close proximity to) the perimeters of the tracts which they serve. None of the owners of any of such tracts aggregating approximate 41.36 acres located in the District on which no taxable above-ground improvements have yet been constructed has reported any plan for the construction of such improvements to the District. Therefore, the District cannot predict when, or whether, the construction of any such improvements might occur. The balance of the acreage located in the District is contained in street rights-of-way, drainage easements, reserves or is otherwise not available for development. See “FUTURE DEVELOPMENT,” ‘THE SYSTEM” and “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.”

The District financed the acquisition or construction of the components of the System that serve Rushwood, Sections 1 through 6, Green Oak Park, Sections 1 through 4 and Spears Crossing and other facilities with the proceeds of the sale of the Prior Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and the components of the System which it is financing with the proceeds of the sale of the Bonds, the District anticipates financing the acquisition, construction or rehabilitation of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “FUTURE DEVELOPMENT,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2023 Assessed Valuation (As of January 1, 2023) See "TAX DATA" and "TAX PROCEDURES"	$	345,900,889	(a)
Estimated Valuation at February 1, 2024 See "TAX DATA" and "TAX PROCEDURES"	$	354,915,653	(b)
Direct Debt:			
Outstanding Bonds	$	18,460,000	
The Bonds		11,160,000	
Total	$	29,620,000	(c)
Estimated Overlapping Debt	$	17,314,043	(c)
Total Direct and Estimated Overlapping Debt	$	46,934,043	(c)
Direct Debt Ratio			
: as a percentage of 2023 Assessed Valuation		8.56	%
: as a percentage of Estimated Valuation at February 1, 2024		8.35	%
Direct and Overlapping Debt Ratio			
: as a percentage of 2023 Assessed Valuation		13.57	%
: as a percentage of Estimated Valuation at February 1, 2024		13.22	%
Bond Fund Balance Estimated as of Delivery of the Bonds	$	3,923,114	(d)
General Fund Balance as of March 20, 2024	$	3,756,044	
2023 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.52	
Maintenance Tax		0.25	
Total	$	0.77	(e)
Average Percentage of Total Tax Collections (2013-2022) as of April 30, 2024		99.38	%
Average Percentage of 2023 Tax Collections as of April 30, 2024		92.65	%
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2040)	$	1,978,695	
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025)	$	2,512,763	
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2040) at 95% Tax Collections			
Based Upon 2023 Assessed Valuation	$	0.61	
Based Upon Estimated Valuation at February 1, 2024	$	0.59	

Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025) at 95% Tax Collections

Based Upon Estimated Valuation at February 1, 2024	$	0.77
Based Upon 2023 Assessed Valuation	$	0.75

Number of Single Family Residences (including 30 residences under construction)	1,917

(a) As of January 1, 2023, and comprises the District's 2023 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of February 1, 2024, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through January 31, 2024. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2023, through December 31, 2023, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2024 tax roll, which will be based on the valuation of District property as of January 1, 2024. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2024, through January 31, 2024, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2025 tax roll, which will be based on the valuation of District property as of January 1, 2025. See "TAX PROCEDURES."

(c) See "DISTRICT DEBT." In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

(d) Neither Texas law nor the Bond Order (as defined herein) requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2024, and the contribution by the District of $613,800 in capitalized interest that the District will deposit in the District's Bond Fund upon delivery of the Bonds. The remaining debt service requirements on the Outstanding Bonds for 2024, which are due on September 1, 2024, total $1,567,781. The initial payment on the Bonds, consisting of an interest payment thereon, is due March 1, 2025.

(e) The District has levied a debt service tax rate of $0.52 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2023. The total of the 2023 tax levies of all overlapping taxing units which levy taxes upon property located in the District for that portion of the District located in Spring Independent School District, plus the District's 2023 rate, is $2.635072, and the total of the 2023 tax levies of all overlapping taxing units which levy taxes upon property located in the District for that portion of the District located in Aldine Independent School District, plus the District's 2023 rate, is $2.562172. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but are within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

$11,160,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5,
OF HARRIS COUNTY, TEXAS
UNLIMITED TAX BONDS
SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 5, of Harris County, Texas (the "District") of its Unlimited Tax Bonds, Series 2024 (the "Bonds").

There follow in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District c/o Marks Richardson PC ("Bond Counsel"), 3700 Buffalo Speedway, Suite 830, Houston, Texas 77098 upon request and payment of the costs of duplication thereof.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order authorizing the Bonds (the "Bond Order"), a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated June 1, 2024. Interest accrues from the date of initial delivery (the "Date of Delivery"), at the rates shown on the inside cover hereof, and is payable on each September 1 and March 1 thereafter (each, an "Interest Payment Date") until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITY SCHEDULE" on the inside cover page hereof. The Bonds are issued in fully registered form only in principal denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be initially registered and delivered only to the Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At an election held on May 4, 2019, the District's voters authorized the issuance of a total of $44,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities or for refunding such bonds. After sale of the Bonds, the District will have $27,320,000 unlimited tax bonds authorized but unissued for improvements and facilities or for refunding such bonds, and $4,441,408.57 unlimited tax bonds for refunding purposes only will also remain authorized but unissued. The Bonds are issued by the District pursuant to the terms of said elections and provisions of the Bond Order, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by an order of the TCEQ.

Source of Payment

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

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

Funds

The Bond Order confirms the establishment of the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Prior Bonds. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional tax bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

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

The District reserves the right, at its option, to redeem the Bonds prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 of principal, on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optimal redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar (hereinafter defined) for payment of the principal 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.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar," "Paying Agent," or "Registrar") for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States. The principal of and interest on the Bonds shall be paid to DTC, which will, in turn, remit same to its participants for subsequent disbursement of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the book-entry-only system described herein. One fully registered bond will be used for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar for the purpose of maintaining the Bond Register (the "Register") on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent / Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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.

Issuance of Additional Debt

The District may issue additional bonds, with the approval (where required) of the Texas Commission on Environmental Quality (the "TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized the issuance of a total of $5,750,000 unlimited tax refunding bonds and $74,690,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities or for refunding such bonds and could authorize additional amounts. Following the issuance of the Bonds, the District will have $27,320,000 unlimited tax bonds authorized but unissued for improvements and facilities or for refunding such bonds, and $4,441,408.57 unlimited tax bonds for refunding purposes only will also remain authorized but unissued. The issuance of such $27,320,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "DISTRICT DEBT - Debt Service Requirements," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

The District's Engineer currently estimates that the aforementioned $27,320,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "FUTURE DEVELOPMENT." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (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 bonds for fire-fighting activities could dilute the investment security of the Bonds.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ 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 TCEQ, 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 TCEQ for road powers nor calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

Conservation and reclamation districts in certain counties, such as the District, are authorized to develop and finance with property taxes certain parks and recreational facilities after a district election has been successfully held to approve a maintenance tax to support parks and recreational facilities and/or the issuance of bonds payable from taxes.

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed 10 cents per $100 of assessed value of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an annual ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed the maximum amount provided by law; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one present (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the Commission.

The District could consider calling an election in the future to authorize the issuance of such 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.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other’s bonds, notes and other obligations. If each district assumes the other’s bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other’s bonds, notes and other obligations, each district’s taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate its water and wastewater systems with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

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

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. Even if a Registered Owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. Certain traditional legal remedies also may not be available. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. See “INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy.”

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of the acquisition or construction of wastewater treatment plant rehabilitation, Lift Station No. 3 rehabilitation, Water Well No. 4 arsenic system, wastewater cleaning and televising, wastewater rehabilitation and land costs; (ii) make payment to the developers of land located within the District for the District's cost of the acquisition or construction of water, wastewater and drainage facilities to serve Acorn Meadow and Hugh Landing; (iii) capitalize interest in the amount of $613,800 to be deposited in the District’s Bond Fund upon delivery of the Bonds; (iv) pay interest to the developers of land located within the District for advances made on behalf of the District; (v) pay engineering fees associated with the design and construction of the aforementioned projects; and (vi) pay administrative and issuance costs, legal fees, fiscal agent’s fees, fees to the Texas Commission on Environmental Quality (the “TCEQ”), and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

Construction Costs	**District Share**
A. Developer Contribution Items	
1. Acorn Meadow – Water, Wastewater and Drainage	$737,282
2. Hugh Landing – Water, Wastewater and Drainage	518,252
3. Engineering and Technical Services	287,469
Subtotal Developer Contribution Items	$1,543,003
B. District Items	
1. Wastewater Treatment Plant Rehabilitation	$1,247,000
2. Lift Station No. 3 Rehabilitation	84,000
3. Water Well No. 4 Arsenic System	1,575,000
4. Wastewater Cleaning and Televising	197,000
5. Wastewater Rehabilitation	2,037,000
6. Contingencies	1,027,000
7. Engineering and Technical Services	1,236,000
8. Acorn Meadow Detention and Reserves	176,863
9. High Landing Detention and Reserves	302,644
Subtotal District Items	$7,882,507
TOTAL CONSTRUCTION COSTS	$9,425,510

Non-Construction Costs	
1. Legal Fees	$ 289,000
2. Fiscal Agent Fees	223,200
3. Interest Costs	
a. Capitalized Interest	613,800
b. Developer Interest (a)	136,695
4. Bond Discount	334,800
5. Bond Issuance Expenses	44,595

6. Bond Application Report Costs	55,000
7. Attorney General Fee	9,500
8. TCEQ Bond Issuance Fee	27,900
9. Contingencies (b)	0
TOTAL NON-CONSTRUCTION COSTS	$1,734,490
TOTAL BOND ISSUE REQUIREMENT	$11,160,000

(a) Represents interest owed to developers of land in the District on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which such developers have borrowed funds.
(b) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by Order of the Texas Water Rights Commission, a predecessor of the TCEQ on December 14, 1971, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, 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 wastewater; 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 may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. See “THE BONDS - Issuance of Additional Debt.” Additionally, the District may, subject to certain limitations, develop parks and recreation facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See “THE BONDS - Financing Parks and Recreational Facilities” and - “Financing Road Facilities.”

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to the acquisition, construction and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; and limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE SYSTEM.”

Description

The District contains approximately 723.02 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located approximately sixteen miles northwest of the central business district of the City, approximately 2 miles west of Interstate Highway 45, and approximately 2 miles north of the Sam Houston Tollway. The District is bounded on the south in part by Gears Road, and Spears Road is located approximately ½ mile north of the District. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors reside within the District or own property within the District.

Name	Position	Term Expires in May
Edith M. Abraham	President	2026
Felicia Young	Vice President	2026
Angeline Lee	Secretary/ Records Management Officer	2024
Joel Rodriguez	Assistant Secretary	2024
Althea Wallace	Director	2024

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

Tax Assessor/Collector - The District has engaged B&A Municipal Tax Services, LLC, Houston, Texas, as the District's Tax Assessor/Collector. According to B&A Municipal Tax Services, LLC, it presently serves approximately 36 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

Utility System Operator - The District has engaged Inframark Water & Infrastructure Services as the general operator of the System. According to Inframark Water & Infrastructure Services, it serves as operator of the systems of approximately 125 districts.

Consulting Engineers - The District has engaged the firm of A&S Engineers, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bookkeeper - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper. According to Municipal Accounts, Inc., it currently serves approximately 400 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Bond Counsel and General Counsel - Marks Richardson PC, Houston, Texas, serves as Bond Counsel to the District. The fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. In addition, Marks Richardson PC also serves as general counsel to the District on matters other than issuance of bonds. See "LEGAL MATTERS."

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

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

DEVELOPMENT AND HOME CONSTRUCTION

Land within the District has been developed primarily for single family residential usage. As is enumerated in the chart that appears below, the District contains 1,917 fully developed single-family residential lots on all of which lots single-family residences have been constructed, including 30 single-family residences that are currently under construction. Such 1,917 single-family residential lots (an aggregate of approximately 406.48 acres, which does not include reserves) have been platted as Rushwood, Sections 1 through 6, Green Oak Park, Sections 1 through 4, Spears Crossing, Acorn Meadow and Hugh Landing. Stonefield Homes is currently constructing homes in the District which range from approximately 1,162 to 1,767 square feet in size of living area and in sales price from approximately $280,000 to $315,000.

Approximately 16.68 additional developed acres located within the District contain a manufacturing facility. Approximately 6.1 additional developed acres located within the District contain an aggregate of approximately 32,000 square feet of commercial improvements. In addition to the aforementioned developed property, the District also contains approximately 207.99 acres of land owned by the Aldine Independent School District that are not subject to taxation by the District, on which the Richard and Kitty Spence Elementary School, the William J. ("Bill") Plummer Middle School and the Ella Boulevard High School and 9th Grade Center have been constructed, and unrestricted reserves and other property aggregating approximately 41.36 acres on which no taxable above-ground improvements have yet been constructed. According to the District's Engineer, underground water, sewer and drainage facilities and street paving to serve all of such approximately 41.36 acres of unrestricted reserves and other property have been constructed to (or are in close proximity to) the perimeters of the tracts which they serve. None of the owners of any of such tracts aggregating approximate 41.36 acres located in the District on which no taxable above-ground improvements have yet been constructed has reported any plan for the construction of such improvements to the District. Therefore, the District cannot predict when, or whether, the construction of any such improvements might occur. The balance of the acreage located in the District is contained in street rights-of-way, drainage easements, reserves or is otherwise not available for development. See "FUTURE DEVELOPMENT," 'THE SYSTEM" and "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments."

The District financed the acquisition or construction of the components of the System that serve Rushwood, Sections 1 through 6, Green Oak Park, Sections 1 through 4 and Spears Crossing and other facilities with the proceeds of the sale of the Prior Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and the components of the System which it is financing with the proceeds of the sale of the Bonds, the District anticipates financing the acquisition, construction or rehabilitation of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

As of April 1, 2024, the status of land development and home construction within the District was as follows:

	Lots				Homes				
			Under		Under Construction		Completed		
Subdivision	Developed	Acres	Development	Acres	Sold	Unsold	Sold	Unsold	Totals
Rushwood									
Sections 1-6	1,352	312.96			0	0	1,352	0	1,352
Green Oak Park									
Sections 1 & 4	173	31.95			0	0	173	0	173
Section 2	108	19.00			0	0	108	0	108
Section 3	107	18.97			0	0	107	0	107
Spears Crossing	97	12.84			0	0	97	0	97
Acorn Meadow	44	7.75			0	0	44	0	44
Hugh Landing	36	3.01			30	0	6	0	36
Totals	1,917	406.48	0	0	30	0	1,887	0	1,917

FUTURE DEVELOPMENT

The District contains approximately 207.99 acres of land owned by the Aldine Independent School District that are not subject to taxation by the District, on which the Richard and Kitty Spence Elementary School, the William J. ("Bill") Plummer Middle School and the Ella Boulevard High School and 9th Grade Center have been constructed, and unrestricted reserves and other property aggregating approximately 41.36 acres on which no taxable above-ground improvements have yet been constructed. According to the District's Engineer, underground water, sewer and drainage facilities and street paving to serve all of such approximately 41.36 acres of unrestricted reserves and other property have been constructed to (or are in close proximity to) the perimeters of the tracts which they serve. None of the owners of any of such tracts aggregating approximate 41.36 acres located in the District on which no taxable above-ground improvements have yet been constructed has reported any plan for the construction of such improvements to the District. Therefore, the District cannot predict when, or whether, the construction of any such improvements might occur. The balance of the acreage located in the District is contained in street rights-of-way, drainage easements, reserves or is otherwise not available for development. See "DEVELOPMENT AND HOME CONSTRUCTION," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots, and of any home builder to sell completed homes described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If any currently undeveloped portion of the District is eventually developed, additions to the District's System to service such acreage may be financed by future issues (if any) of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the $27,320,000 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all portions of the District. The issuance of such $27,320,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and the components of the System which it is financing with the proceeds of the sale of the Bonds, the District anticipates financing the acquisition, construction or rehabilitation of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt." No party is under any obligation to initiate development of any of the land located within the District on which above-ground improvements have not yet been constructed, or to complete any development, if begun, and any party initiating any such future development thereon could modify or discontinue its plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

THE SYSTEM

Regulation

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

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, and the Harris-Galveston Coastal Subsidence District ("HGCSD"). The total number of equivalent single- family residential connections ("ESFCs") estimated at this time for the District upon the full development of its 723.02 acres is 2,227 with a total estimated population of 5,568 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves Rushwood, Sections 1 through 6, Green Oak Park, Sections 1 through 4, Spears Crossing, Acorn Meadow and Hugh Landing. Such components of the System that serve Rushwood, Sections 1 through 6, Green Oak Park, Sections 1 through 4, Spears Crossing and schools were financed by the District with portions of the proceeds of the Prior Bonds and certain non-reimbursable contributions made by the developer(s) of the land serviced by such facilities in accordance with the rules of the TCEQ or its predecessors. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements," and "INVESTMENT CONSIDERATIONS - Future Debt."

Wastewater Treatment

The District provides wastewater treatment capacity by an existing facility which the District financed with portions of the proceeds of the Prior Bonds. The facility currently contains 900,000 gallons-per-day ("g.p.d.") of capacity. According to the District's Engineer, the capacity in the facility is adequate to serve a total of 3,000 ESFCs, including all 2,227 ESFCs projected to be located in the District upon full development of the District plus certain tracts of land located outside the District which the District might annex in the future.

Water Supply

The District's permanent water supply system was financed with a portion of the proceeds of the sale of the Prior Bonds, and includes three water wells with a total capacity of 2,980 gallons-per-minute ("g.p.m."), two 500,000 gallon ground storage tanks, a 200,000 gallon elevated storage tank, 45,000 gallons of pressure tanks, booster pumps aggregating 9,250 g.p.m., and appurtenant facilities. The aforementioned water supply and storage facilities are designated "Water Plant No. 1." The District financed a Water Plant No. 1 water well addition with a portion of the proceeds of the sale of the Prior Bonds. The District has emergency water supply interconnection lines with the adjoining Harris County Municipal Utility District Nos. 33, 150, and 217. The District has entered into a contract dated September 24, 2002, with the City of Houston ("Houston") to purchase surface water. The District financed the construction of a water transmission line and Water Plant No. 2 with a portion of the proceeds of the sale of the Prior Bonds. The facilities serve to transfer, store and pressure surface water for distribution within the District. According to the District's Engineer, the aforementioned Water Plant No. 1, Water Plant No. 2 and the water transmission line are adequate to serve all 2,227 ESFCs projected to be located in the District upon full development of the District.

100-Year Flood Plain

The Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect, which covers the land located in the District, indicates that none of the single-family residential lots that have been developed within the District is located in the 100-year flood plain of any watercourse.

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

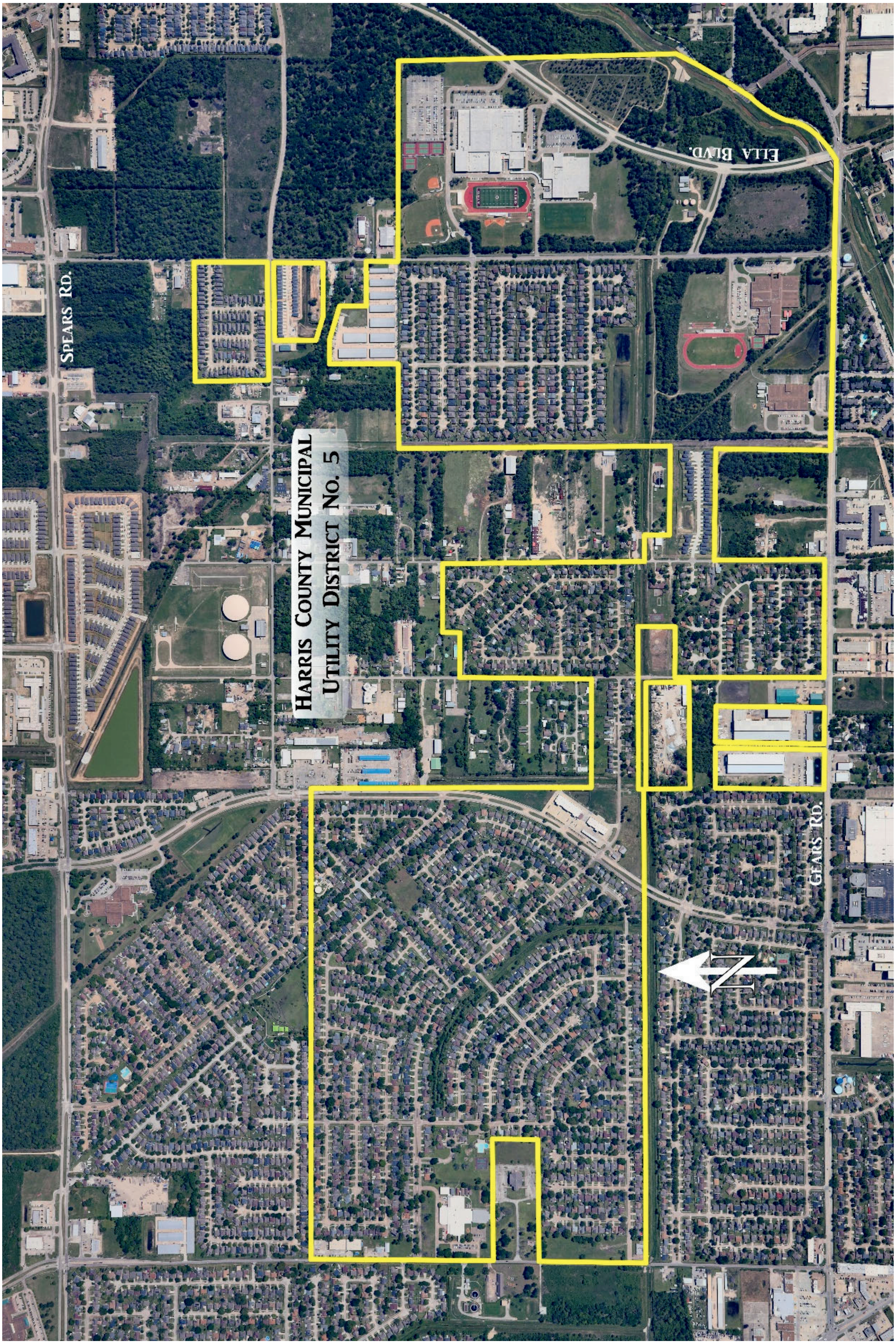
In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting 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.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction, including the area within the District. The District has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The District's GRP sets forth the District'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).

Under the Subsidence District regulations and the GRP, the District was required to limit groundwater withdrawals to no more than 70% of the total water demand within the District's GRP by January 2010. Additionally, the Subsidence District requires that the District limit groundwater withdrawals to no more than 40% of the total water demand within the District's GRP beginning January 2025; and limit groundwater withdrawals to no more than 20% of the total water demand within the District's GRP beginning January 2035. If the District fails to comply with the above Subsidence District regulations or its GRP, the District is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the District's GRP. As stated under the caption "Water Supply" above, the District has entered into a Water Supply Contract with Houston to receive treated surface water from Houston in order to satisfy the requirements of the District's GRP. Further conversion to surface water could necessitate additional improvements to the System which could require the issuance of bonds by the District.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken April 2024)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2024)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken April 2024)

DISTRICT DEBT

General

The following calculations relate to the Bonds and the Outstanding Bonds. The District is empowered to incur debt to be paid from revenues raised by taxes levied against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxes levied against all or a portion of the property within the District.

2023 Assessed Valuation (As of January 1, 2023) See "TAX DATA" and "TAX PROCEDURES"	$	345,900,889	(a)
Estimated Valuation at February 1, 2024 See "TAX DATA" and "TAX PROCEDURES"	$	354,915,653	(b)
Direct Debt:			
Outstanding Bonds	$	18,460,000	
The Bonds		11,160,000	
Total	$	29,620,000	(c)
Estimated Overlapping Debt	$	17,314,043	(c)
Total Direct and Estimated Overlapping Debt	$	46,934,043	(c)
Direct Debt Ratio			
: as a percentage of 2023 Assessed Valuation		8.56	%
: as a percentage of Estimated Valuation at February 1, 2024		8.35	%
Direct and Overlapping Debt Ratio			
: as a percentage of 2023 Assessed Valuation		13.57	%
: as a percentage of Estimated Valuation at February 1, 2024		13.22	%
Bond Fund Balance Estimated as of Delivery of the Bonds	$	3,923,114	(d)
General Fund Balance as of March 20, 2024	$	3,756,044	
2023 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.52	
Maintenance Tax		0.25	
Total	$	0.77	(e)
Average Percentage of Total Tax Collections (2013-2022) as of April 30, 2024		99.38	%
Average Percentage of 2023 Tax Collections as of April 30, 2024		92.65	%

(a) As of January 1, 2023, and comprises the District's 2023 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of February 1, 2024, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through January 31, 2024. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2023, through December 31, 2023, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2024 tax roll, which will be based on the valuation of District property as of January 1, 2024. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2024, through January 31, 2024, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2025 tax roll, which will be based on the valuation of District property as of January 1, 2025. See “TAX PROCEDURES.”

(c) In addition to the components of the District’s System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirements,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

(d) Neither Texas law nor the Bond Order (as defined herein) requires the District to maintain any particular sum in the Bond Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2024, and the contribution by the District of $613,800 in capitalized interest that the District will deposit in the District’s Bond Fund upon delivery of the Bonds. The remaining debt service requirements on the Outstanding Bonds for 2024, which are due on September 1, 2024, total $1,567,781. The initial payment on the Bonds, consisting of an interest payment thereon, is due March 1, 2025.

(e) The District has levied a debt service tax rate of $0.52 per $100 of Assessed Valuation and a maintenance tax of $0.25 per $100 of Assessed Valuation for 2023. The total of the 2023 tax levies of all overlapping taxing units which levy taxes upon property located in the District for that portion of the District located in Spring Independent School District, plus the District’s 2023 rate, is $2.635072, and the total of the 2023 tax levies of all overlapping taxing units which levy taxes upon property located in the District for that portion of the District located in Aldine Independent School District, plus the District’s 2023 rate, is $2.562172. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but are within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

	Debt as of	Estimated Overlapping	
Taxing Jurisdiction	**April 1, 2024**	**Percent**	**Amount**
Harris County [i]	$1,994,511,319	0.05304%	$1,057,866
Harris County Department of Education	28,960,000	0.05304%	15,360
Harris County Flood Control District	991,095,000	0.05304%	525,665
Harris County Hospital District	65,285,000	0.05304%	34,626
Port of Houston Authority	426,134,397	0.05304%	226,017
Spring Independent School District	855,450,000	1.15337%	9,866,503
Aldine Independent School District	1,235,855,000	0.40309%	4,981,564
Lone Star College District	542,435,000	0.11180%	606,442
Total Estimated Overlapping Debt			$17,314,043
Total Direct Debt (the Bonds and the Outstanding Bonds)			29,620,000
Total Direct and Estimated Overlapping Debt			$46,934,043

[i] Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.

Debt Ratios

	% of 2023 Assessed Valuation	% of Estimated Valuation at February 1, 2024
Direct Debt	8.56%	8.35%
Direct and Estimated Overlapping Debt	13.57%	13.22%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District at a rate not to exceed $0.25 per $100 of Assessed Valuation. The District levied a maintenance tax of $0.25 per $100 of Assessed Valuation in 2023. See “TAX DATA - Maintenance Tax.”

Debt Service Requirements

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

Year Ending	Current Total	Plus: The Bonds		New Total
December 31	Debt Service	Principal	Interest*	Debt Service
2024	$1,725,563			$1,725,563
2025	1,745,513		$767,250	2,512,763
2026	1,797,863		613,800	2,411,663
2027	1,809,363		613,800	2,423,163
2028	1,279,363		613,800	1,893,163
2029	1,276,263		613,800	1,890,063
2030	1,282,563		613,800	1,896,363
2031	1,317,863		613,800	1,931,663
2032	1,318,663		613,800	1,932,463
2033	1,317,863		613,800	1,931,663
2034	1,325,463		613,800	1,939,263
2035	1,326,063		613,800	1,939,863
2036	1,139,863		613,800	1,753,663
2037	1,149,413		613,800	1,763,213
2038	1,173,313		613,800	1,787,113
2039	1,199,938		613,800	1,813,738
2040	1,225,500		613,800	1,839,300
2041		$610,000	613,800	1,223,800
2042		645,000	580,250	1,225,250
2043		680,000	544,775	1,224,775
2044		715,000	507,375	1,222,375
2045		755,000	468,050	1,223,050
2046		800,000	426,525	1,226,525
2047		840,000	382,525	1,222,525
2048		890,000	336,325	1,226,325
2049		935,000	287,375	1,222,375
2050		990,000	235,950	1,225,950
2051		1,040,000	181,500	1,221,500
2052		1,100,000	124,300	1,224,300
2053		1,160,000	63,800	1,223,800
	$23,410,433	$11,160,000	$14,726,800	$49,297,233

* Interest is estimated at 5.50% per annum for purposes of illustration.

Average Annual Requirements: (2025-2040) $1,978,695
Maximum Annual Requirement: (2025) $2,512,763

See "TAX DATA - Tax Rate Calculations" and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates" for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds and any future tax supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District has levied a debt service tax of $0.52 per $100 of Assessed Valuation for 2023.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On August 14, 1976, the District’s voters authorized the levy of such a maintenance tax in an amount not to exceed $0.25 per $100 of Assessed Valuation. Such tax is levied 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 parity bonds which may be issued in the future. The District levied a maintenance tax of $0.25 per $100 of Assessed Valuation for 2023.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance:	$0.25 per $100 Assessed Valuation

Historical Values and Tax Collection History

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

				% Collections	
Tax Year	Assessed Valuation	Tax Rate(a)	Adjusted Levy	Current & Prior Years(b)	Year Ended 9/30
2013	$117,603,059	$1.38	$1,617,696	99.71%	2014
2014	131,358,276	1.27	1,662,166	99.67	2015
2015	152,028,644	1.24	1,877,140	99.61	2016
2016	174,208,096	1.17	2,027,612	99.51	2017
2017	190,877,820	1.11	2,106,371	99.45	2018
2018	199,617,694	1.05	2,082,612	99.40	2019
2019	217,742,372	1.05	2,269,552	99.30	2020
2020	237,266,678	0.98	2,306,742	99.24	2021
2021	260,533,775	0.90	2,321,995	99.07	2022
2022	302,674,612	0.83	2,483,165	98.88	2023
2023	345,900,889	0.77	2,663,437	92.65(c)	2024

(a) Per $100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through April 30, 2024. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of April 30, 2024. In process of collection.

Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service	$0.52	$0.58	$0.65	$0.73	$0.80
Maintenance	0.25	0.25	0.25	0.25	0.25
Total	$0.77	$0.83	$0.90	$0.98	$1.05

Analysis of Tax Base

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

	2023 Assessed Value	%	2022 Assessed Value	%	2021 Assessed Value	%
Land	$91,559,976	26.47%	$57,338,795	18.94%	$55,064,416	21.14%
Improvements	390,233,114	112.82	369,957,325	122.23	317,957,460	122.04
Agriculture	0	0.00	594	0.00	509	0.00
Personal Property	6,750,687	1.95	6,876,856	2.27	4,871,977	1.87
Exemptions	(142,642,888)	(41.24)	(131,498,958)	(43.45)	(117,360,587)	(45.05)
Total	$345,900,889	100.00%	$302,674,612	100.00%	$260,533,775	100.00%

	2020 Assessed Value	%	2019 Assessed Value	%
Land	$55,020,269	23.19%	$52,731,337	24.22%
Improvements	294,174,436	123.98	279,470,775	128.35
Agriculture	424	0.00	458	0.00
Personal Property	4,191,942	1.77	4,050,158	1.86
Exemptions	(116,120,393)	(48.94)	(118,510,356)	(54.43)
TOTAL	$237,266,678	100.00%	$217,742,372	100.00%

Principal 2023 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2023. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2023.

Taxpayer	**Type of Property**	**Assessed Valuation 2023 Tax Roll**	**% of 2023 Tax Roll**
Volta Properties LLC and Volta LLC	Land, Improvements and Personal Property	$23,345,986	6.75%
Pari Business LLC	Land and Improvements	7,260,128	2.10%
AMR Premium Storage and Warehouse LLC	Land and Improvements	5,073,444	1.47%
American Homes 4 Rent	Land and Improvements	3,405,195	0.98%
Acorn Meadow Partners	Land and Improvements	2,927,366	0.85%
Centerpoint Energy Houston	Land and Personal Property	2,147,894	0.62%
2018 4 IH Borrower LP	Land and Improvements	1,794,143	0.52%
SRP Sub LLC	Land and Improvements	1,788,706	0.52%
Jodace LP	Land and Improvements	1,685,908	0.49%
D L Peterson Trust	Personal Property	1,527,091	0.44%
		$50,955,861	14.74%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2023 Assessed Valuation or the Estimated Valuation at February 1, 2024. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand to augment tax receipts, and the sale of no additional bonds by the District. As outlined above under the caption "Historical Values and Tax Collection History," as of April 30, 2024, the District has collected an average annual percentage of its property taxes of 99.38% for the years 2013 through 2022, and its 2023 tax levy was 92.65% collected as of such date.

Average Annual Debt Service Requirements (2025-2040)...	$1,978,695
Tax Rate of $0.61 on the 2023 Assessed Valuation ($345,900,889) produces................................	$2,004,496
Tax Rate of $0.59 on the Estimated Valuation at February 1, 2024 ($354,915,653) produces.........	$1,989,302
Maximum Annual Debt Service Requirement (2025)	$2,512,763
Tax Rate of $0.77 on the 2023 Assessed Valuation ($345,900,889) produces................................	$2,530,265
Tax Rate of $0.75 on the Estimated Valuation at February 1, 2024 ($354,915,653) produces.........	$2,528,774

The District levied a debt service tax in 2023 of $0.52, plus a maintenance tax of $0.25 per $100 of Assessed Valuation. As the above table illustrates, the District's 2023 debt service tax levy of $0.52 per $100 of Assessed Valuation is not sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the District's 2023 Assessed Valuation or the Estimated Valuation at February 1, 2024, assuming a tax collection rate of 95%, no use of District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District. However, the District has collected an average of 99.38% of its tax levies for the period 2013 through 2022 as of April 30, 2024, and its 2023 tax levy was 92.65% collected as of such date. Moreover, the District's Bond Fund balance is estimated to be $3,923,114 as the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District has in the past applied earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). Therefore, given such factors, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2023 - $0.52 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," " - Maximum Impact on District Tax Rates" and "TAX PROCEDURES."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2023 taxes levied upon property located within the District and the District's 2023 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Spring Independent School District

Taxing Jurisdiction	2023 Tax Rate Per $100 of A.V.
The District*	$0.770000
Harris County	0.350070
Harris County Department of Education	0.004800
Harris County Flood Control District	0.031050
Harris County Hospital District	0.143430
Port of Houston Authority	0.005740
Spring Independent School District	1.109200
Lone Star College System	0.107600
Harris County Emergency Services District No. 17	0.083846
Harris County Emergency Services District No. 11	0.029336
Total Tax Rate	$2.635072

Aldine Independent School District

Taxing Jurisdiction	2023 Tax Rate Per $100 of A.V.
The District*	$0.770000
Harris County	0.350070
Harris County Department of Education	0.004800
Harris County Flood Control District	0.031050
Harris County Hospital District	0.143430
Port of Houston Authority	0.005740
Aldine Independent School District	1.036300
Lone Star College System	0.107600
Harris County Emergency Services District No. 17	0.083846
Harris County Emergency Services District No. 11	0.029336
Total Tax Rate	$2.562172

* Consisting of debt service and maintenance tax components of $0.52 and $0.25 per $100 of Assessed Valuation, respectively.

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly 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"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of $3,000, or between $5,000 and $12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. For the 2024 tax year, the District granted a $10,000 exemption for the elderly and disabled in the District.

A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to certain tangible personal property as defined by the Property Tax Code. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer’s motor vehicles, dealer’s vessel and outboard motor vehicle, dealer’s heavy equipment and retail manufactured housing inventory. For tax year 2011 and prior applicable years, the exemption applies to covered property if it 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 is further limited to tangible personal property acquired in or imported into Texas for storage purposes and which 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. For the tax year 2012 and subsequent years, 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. However, taxing units who took official action as allowed by prior law before September 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For 2023, the District granted a 20% general residential homestead exemption. The total value of the general residential homestead exemption for 2023 was $40,136,985.

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 approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "subjected property") whose appraised values are not more than $5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "appraisal cap"). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap took effect on January 1, 2024.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, districts differently based on the current operation and maintenance tax rate or on the percentage of build out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Special Taxing

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

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District designated itself as a Developing District for 2023. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the 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 such taxes for a period of three (3) years for agricultural use and for a period of five (5) years for timberland and open space land prior to the loss of the designation. According to the District's Tax Assessor/Collector, as of January 1, 2024, no land within the District was designated for agricultural use, open space or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten 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 a comprehensive plan. According to the District’s Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. 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 a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District’s contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent and as an alternative to the penalty described in the foregoing sentence, an additional penalty of up to the amount specified in the District’s contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax penalty and interest, may, under certain circumstances, be imposed by the District. The District’s contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. A delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. The District may waive penalties and interest on delinquent taxes only if an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances and mandatory installment agreements for delinquent taxes on residential homestead property in certain circumstances. The District’s tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months (as determined by the District. Additionally, the owner of a residential homestead property who is a person sixty five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see “TAX

DATA - Estimated Overlapping Taxes”). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years of foreclosure and all other property within six (6) months of foreclosure) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See “INVESTMENT CONSIDERATIONS - Tax Collection Limitations.”

Disaster Exemption

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

Tax Payment Installments after Disaster

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

Tax Payment Installments after Disaster

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision or agency other than the District, are secured by the proceeds an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See “Tax Collection Limitations” and “Registered Owners' Remedies and Bankruptcy” below and “THE BONDS - Source and Security for Payment” and - “Remedies in Event of Default.”

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences that have been constructed within the District. The market value of such homes is related to general economic conditions affecting the demand for residences, and can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Fluctuation in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see “Potential Effects of Oil Price Fluctuations on the Houston Area” below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development in the District has occurred as described in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

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

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 16 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2023 Assessed Valuation of property located within the District (see "TAX DATA") is $345,900,889. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be $2,512,763 (2025) and the Average Annual Debt Service Requirements will be $1,978,695 (2025 through 2040, inclusive.) Assuming no increase to or decrease from the 2023 Assessed Valuation, no use of other District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District, tax rates of $0.77 and $0.61 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, respectively. The Estimated Valuation at February 1, 2024, of property located within the District (see "TAX DATA") is $354,915,653. Assuming no increase to or decrease from the Estimated Valuation at February 1, 2024, no use of other District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District, tax rates of $0.75 and $0.59 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds, respectively. See "TAX DATA - Tax Rate Calculations."

The District levied a debt service tax in 2023 of $0.52, plus a maintenance tax of $0.25 per $100 of Assessed Valuation. As is illustrated above, the District's 2023 debt service tax levy of $0.52 per $100 of Assessed Valuation is not sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the District's 2023 Assessed Valuation or Estimated Valuation at February 1, 2024, assuming a tax collection rate of 95%, no use of District funds on hand to augment tax receipts, and the issuance of no additional bonds by the District. However, the District has collected an average of 99.38% of its tax levies for the period 2013 through 2022 as of April 30, 2024, and its 2023 tax levy was 92.65% collected as of such date. Moreover, the District's Bond Fund balance is estimated to be $3,923,114 as the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Bond Fund at any time, the District has in the past applied earnings from the investment of monies held in the Bond Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). Therefore, given such factors, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2023 - $0.52 per $100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "Future Debt" below, "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements" and "THE SYSTEM."

Increases in the District's tax rate to higher levels than the rate which the District levied in 2023 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a major taxpayer, (c) market conditions affecting the marketability of taxable property within the District at a foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities on the parity liens on the property. 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. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. 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 assessed against such taxpayer. See "TAX PROCEDURES." In addition to 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.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntarily 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 debt. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserved in the Bond Order the right to issue the remaining $27,320,000 in unlimited tax bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities or for refunding bonds for such purposes, and $4,441,408.57 authorized but unissued unlimited tax refunding bonds, and such additional bonds as may hereafter be approved by both the Board of Directors and the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. The issuance of such $27,320,000 in bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the components of the District's System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System with the proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "PLAN OF FINANCING," "DISTRICT DEBT - Debt Service Requirements" and "THE SYSTEM."

The District's Engineer currently estimates that the aforementioned $27,320,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District. See "FUTURE DEVELOPMENT." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. See "THE BONDS - Issuance of Additional Debt."

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive. The respective competitive positions of land owner(s), developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

The Bond 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 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 "LEGAL MATTERS - Tax Exemption."

Marketability

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

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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.

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, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater 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 permit.

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

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

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

Extreme Weather Events

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

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

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

Specific Flood Type Risks

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.

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The District will also furnish the approving legal opinion of Marks Richardson PC, Houston, Texas, 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 enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds, as described under "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, against all taxable property within the District.

In addition to serving as Bond Counsel, Marks Richardson PC, also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas as Disclosure Counsel for the District.

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

Legal Review

In its capacity as Bond Counsel, Marks Richardson PC, has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS" (except subsection "Use and Distribution of Bond Proceeds"), "TAX PROCEDURES," "THE DISTRICT - General" and - "Management of the District - Bond Counsel and General Counsel," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state law with regard to the sale of the Bonds. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 other information contained herein.

Tax Exemption

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"), interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds. The law upon which Bond Counsel has based its opinion to change by the Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District with respect to matters solely within the knowledge of the

District, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order, or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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.

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 Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, and individuals otherwise allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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.

NOT **Qualified Tax-Exempt Obligations**

The District will ***NOT*** designate the Bonds as "qualified tax-exempt obligations."

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.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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 amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, 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 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.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). 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 a 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.

NO-LITIGATION CERTIFICATE

The District will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by appropriate officers of the Board, to the substantial effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, 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, the corporate existence or boundaries of the District or the title to the then present offices and directors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriters to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

SOURCES OF INFORMATION

General

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

The financial statements of the District as of December 31, 2023, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report herein.

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned “THE DISTRICT,” “DEVELOPMENT AND HOME CONSTRUCTION,” “FUTURE DEVELOPMENT,” and “THE SYSTEM,” has been provided by A&S Engineers, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Harris Central Appraisal District and B&A Municipal Tax Services, LLC The District has included certain information herein in reliance upon B&A Municipal Tax Services, LLC's authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

GENERAL CONSIDERATIONS

Updating of Official Statement

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

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriters a certificate, executed by appropriate officers of the Board, acting in their official capacities, to the substantial effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

Official Statement "Deemed Final"

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION" and "TAX

DATA" and in "APPENDIX B - ANNUAL FINANCIAL REPORT." The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond 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 December 31. Accordingly, it must provide updated information by the last day of June in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination 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 SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District (as defined by SEC Rule 15c2-12, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 the agreement, as amended, would have permitted an Underwriters to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 5 of Harris County, Texas as of the date shown on the first page hereof.

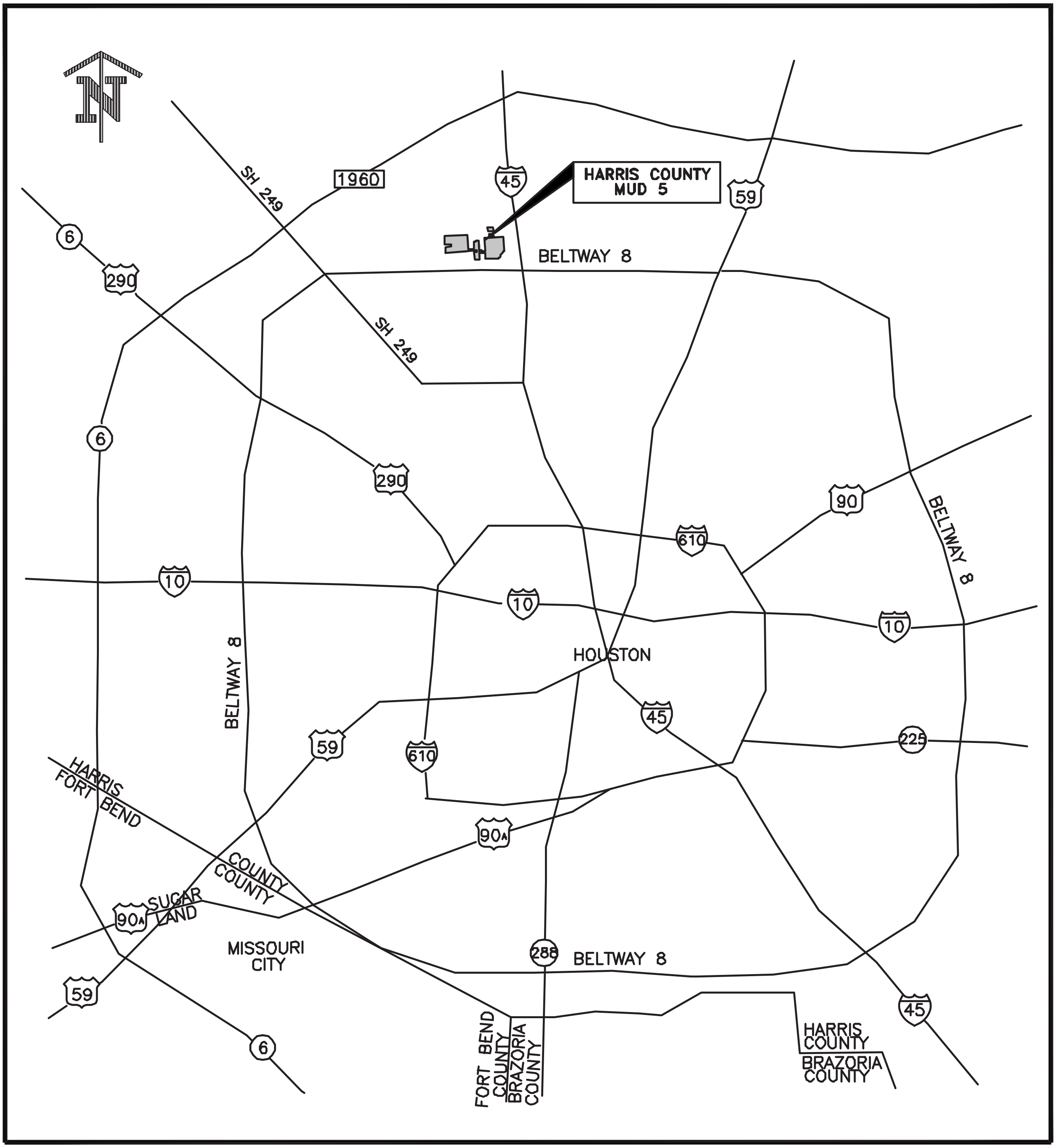
President, Board of Directors
Harris County Municipal Utility District
No. 5 of Harris County, Texas

ATTEST:

Secretary, Board of Directors
Harris County Municipal Utility District
No. 5 of Harris County, Texas

APPENDIX A

LOCATION MAP



JUNE, 2011

KEY MAP: 372N

EXHIBIT A

HARRIS COUNTY MUD 5

LOCATION MAP

A&S ENGINEERS, INC.

municipal engineering services

10377 Stella Link Road, Houston, TX 77025-5445

Phone 713/942-2700 Fax 713/942-2799

Texas Engineering Registration No. F-000802

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5,

OF HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 5
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. 5 (the "District") as of and for the year ended December 31, 2023, 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 December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Harris County Municipal Utility District No. 5

Supplementary Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 17, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Management's discussion and analysis of the financial performance of Harris County Municipal Utility District No. 5 (the "District") provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. 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 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, deferred inflows of resources, 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial 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 FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of resources by $4,225,390 as of December 31, 2023.

A portion of the District's net position reflects its net investment in capital assets which include land, water system, wastewater system, drainage system, and detention facilities less any debt used to acquire those assets that is still outstanding. The table on the following page presents a comparative analysis of government-wide changes in net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	$ 10,986,617	$ 12,498,933	$ (1,512,316)
Capital Assets (Net of Accumulated Depreciation)	17,133,367	15,212,525	1,920,842
Total Assets	$ 28,119,984	$ 27,711,458	$ 408,526
Deferred Outflows of Resources	$ 86,970	$ 104,127	$ (17,157)
Bonds Payable	$ 18,726,504	$ 19,821,726	$ 1,095,222
Other Liabilities	2,607,391	1,931,030	(676,361)
Total Liabilities	$ 21,333,895	$ 21,752,756	$ 418,861
Deferred Inflows of Resources	$ 2,647,669	$ 2,527,221	$ (120,448)
Net Position:			
Net Investment in Capital Assets	$ (955,390)	$ (1,337,452)	$ 382,062
Restricted	2,104,151	1,924,078	180,073
Unrestricted	3,076,629	2,948,982	127,647
Total Net Position	$ 4,225,390	$ 3,535,608	$ 689,782

The following table provides a summary of the District's operations for the years ending December 31, 2023, and December 31, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,508,900	$ 2,353,466	$ 155,434
Charges for Services	1,844,002	1,645,543	198,459
Other Revenues	472,848	174,063	298,785
Total Revenues	$ 4,825,750	$ 4,173,072	$ 652,678
Expenses for Services	4,135,968	3,769,088	(366,880)
Change in Net Position	$ 689,782	$ 403,984	$ 285,798
Net Position, Beginning of Year	3,535,608	3,131,624	403,984
Net Position, End of Year	$ 4,225,390	$ 3,535,608	$ 689,782

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2023, were $7,336,079, a decrease of $1,491,450 from the prior year.

The General Fund fund balance increased by $127,004, primarily due to property tax revenues and service revenues exceeding operating and administrative expenditures.

The Debt Service Fund fund balance increased by $144,106, primarily due to a timing difference between the recognition of revenues from tax collections and scheduled debt service payments.

The Capital Projects Fund fund balance decreased by $1,762,560, primarily due to the use of bond proceeds received in prior years to fund current year capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were $194,713 more than budgeted revenues and actual expenditures were $76,459 more than budgeted expenditures which resulted in a positive variance of $118,254. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2023, total $17,133,367 (net of accumulated depreciation) and include land and the water system, wastewater system, drainage system and detention facilities. Significant capital asset activity during the current fiscal year included rehabilitation and improvements to the District water, wastewater and drainage facilities.

Capital Assets At Year-End

	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 669,131	$ 669,131	$
Construction in Progress	2,189,567	890,350	1,299,217
Capital Assets Subject to Depreciation:			
Water System	13,474,590	13,313,201	161,389
Wastewater System	10,552,952	9,769,927	783,025
Drainage System and Detention Facilities	1,707,654	1,398,844	308,810
Less Accumulated Depreciation	(11,460,527)	(10,828,928)	(631,599)
Total Net Capital Assets	$ 17,133,367	$ 15,212,525	$ 1,920,842

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of $18,460,000. The change in the debt position of the District during the fiscal year ended December 31, 2023, is summarized as follows:

Bond Debt Payable, January 1, 2023	$ 19,515,000
Less: Bond Principal Paid	(1,055,000)
Bond Debt Payable, December 31, 2023	$ 18,460,000

The District's bonds have underlying ratings of "BBB+" by Standard and Poor's and insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation or Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based upon the rating of the bond insurance company.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 5, c/o Marks Richardson PC, 3700 Buffalo Speedway, Suite 830, Houston, TX 77098.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 174,002	$ 660,886
Investments	3,069,859	1,983,817
Receivables:		
Property Taxes	740,629	1,594,664
Penalty and Interest on Delinquent Taxes		
Service Accounts	179,909	
Accrued Interest	3,399	
Due from Other Funds	228,534	
Prepaid Costs	22,960	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 4,419,292	$ 4,239,367
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,419,292	$ 4,239,367

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 995	$ 835,883	$	$ 835,883
2,441,074	7,494,750		7,494,750
	2,335,293		2,335,293
		81,718	81,718
	179,909		179,909
	3,399		3,399
	228,534	(228,534)	
	22,960	32,705	55,665
		669,131	669,131
		2,189,567	2,189,567
		14,274,669	14,274,669
$ 2,442,069	$ 11,100,728	$ 17,019,256	$ 28,119,984
$ -0-	$ -0-	$ 86,970	$ 86,970
$ 2,442,069	$ 11,100,728	$ 17,106,226	$ 28,206,954

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 281,339	$ 1,843
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		228,534
Security Deposits	234,396	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 515,735	$ 230,377
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 901,055	$ 1,928,350
FUND BALANCES		
Nonspendable: Prepaid Costs	$ 22,960	$
Restricted for Authorized Construction		
Restricted for Debt Service		2,080,640
Unassigned	2,979,542	
TOTAL FUND BALANCES	$ 3,002,502	$ 2,080,640
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,419,292	$ 4,239,367
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 189,132	$ 472,314	$	$ 472,314
		198,521	198,521
		1,702,160	1,702,160
	228,534	(228,534)	
	234,396		234,396
		1,130,000	1,130,000
		17,596,504	17,596,504
$ 189,132	$ 935,244	$ 20,398,651	$ 21,333,895
$ -0-	$ 2,829,405	$ (181,736)	$ 2,647,669
$	$ 22,960	$ (22,960)	$
2,252,937	2,252,937	(2,252,937)	
	2,080,640	(2,080,640)	
	2,979,542	(2,979,542)	
$ 2,252,937	$ 7,336,079	$ (7,336,079)	$ -0-
$ 2,442,069	$ 11,100,728		
		$ (955,390)	$ (955,390)
		2,104,151	2,104,151
		3,076,629	3,076,629
		$ 4,225,390	$ 4,225,390

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total Fund Balances - Governmental Funds		$ 7,336,079
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Bond insurance premiums paid at closing are amortized over the repayment period of the related bonds in the governmental activities.		32,705
Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		17,133,367
The difference between the net carrying amount of the refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		86,970
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenues in the governmental activities of the District.		263,454
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:		
Due to Developer	$ (1,702,160)	
Accrued Interest Payable	(198,521)	
Bonds Payable	(18,726,504)	(20,627,185)
Total Net Position - Governmental Activities		$ 4,225,390

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 749,824	$ 1,740,686
Water Service	956,556	
Wastewater Service	651,653	
Connection and Inspection Fees	99,481	
Penalty and Interest	76,136	50,578
Investment and Miscellaneous Revenues	163,163	135,321
TOTAL REVENUES	$ 2,696,813	$ 1,926,585
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 151,536	$ 20,627
Contracted Services	325,312	50,964
Purchased Water Service	422,625	
Utilities	137,825	
Repairs and Maintenance	999,221	
Depreciation		
Other	508,312	18,275
Capital Outlay	24,978	
Conveyance of Assets		
Debt Service:		
Bond Principal		1,055,000
Bond Interest		637,613
TOTAL EXPENDITURES/EXPENSES	$ 2,569,809	$ 1,782,479
NET CHANGE IN FUND BALANCES	$ 127,004	$ 144,106
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2023	2,875,498	1,936,534
FUND BALANCES/NET POSITION - DECEMBER 31, 2023	$ 3,002,502	$ 2,080,640

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,490,510	$ 18,390	$ 2,508,900
	956,556		956,556
	651,653		651,653
	99,481		99,481
	126,714	9,598	136,312
174,364	472,848		472,848
$ 174,364	$ 4,797,762	$ 27,988	$ 4,825,750
$ 1,998	$ 174,161	$	$ 174,161
	376,276		376,276
	422,625		422,625
	137,825		137,825
	999,221		999,221
		631,599	631,599
270	526,857		526,857
1,934,656	1,959,634	(1,959,634)	
		261,479	261,479
	1,055,000	(1,055,000)	
	637,613	(31,688)	605,925
$ 1,936,924	$ 6,289,212	$ (2,153,244)	$ 4,135,968
$ (1,762,560)	$ (1,491,450)	$ 1,491,450	$
		689,782	689,782
4,015,497	8,827,529	(5,291,921)	3,535,608
$ 2,252,937	$ 7,336,079	$ (3,110,689)	$ 4,225,390

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balances - Governmental Funds	$ (1,491,450)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	18,390
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.	9,598
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(631,599)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District.	1,698,155
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities in not affected.	1,055,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.	31,688
Change in Net Position - Governmental Activities	$ 689,782

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 5, located in Harris County, Texas (the "District"), was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"), effective December 14, 1971. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on December 22, 1971, and the first bonds were sold on November 3, 1972.

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.

<u>Financial Statement Presentation</u>

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it 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 revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

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 a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues 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 the 2022 tax levy collections during the period October 1, 2022, to December 31, 2023, and taxes collected from January 1, 2023, to December 31, 2023, for all prior tax levies. The 2023 tax levy has been fully deferred to meet the District's planned expenditures in the 2024 fiscal year.

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.

The Debt Service Fund (Tax Account) owes the General Fund $228,534 for maintenance tax collections (this is a timing difference).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an expenditure 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 after completion. 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 of $5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives include 40 years for buildings, 10 to 45 years for water, wastewater, drainage, and detention infrastructure, and 3 to 20 years for all other equipment.

Budgeting

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

Pensions

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

Measurement Focus

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 Governmental Funds 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 does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Refunding Series 2015	Series 2016
Amount Outstanding – December 31, 2023	$2,600,000	$7,000,000
Interest Rates	3.00%	4.00%
Maturity Dates – Beginning/Ending	September 1, 2024/2027	September 1, 2028/2035
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2022*	September 1, 2023*

	Refunding Series 2020	Series 2020A
Amount Outstanding – December 31, 2023	$3,340,000	$5,520,000
Interest Rates	2.00% - 4.00%	2.00% - 3.00%
Maturity Dates – Beginning/Ending	September 1, 2024/2030	September 1, 2036/2040
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2025*	September 1, 2025*

* Or any date thereafter, callable at par plus unpaid accrued interest, in whole or in part, at the option of the District. The Series 2015 Refunding term bond maturing September 1, 2026, is subject to mandatory redemption beginning September 1, 2021, by lot or other customary method. The Series 2020 Refunding term bonds maturing September 1, 2028, are subject to mandatory redemption beginning September 1, 2026, by lot or other customary method.

NOTE 3. LONG-TERM DEBT (Continued)

The following table summarize changes in bonds payable for the current fiscal year:

	January 1, 2023	Additions	Retirements	December 31, 2023
Bonds Payable	$ 19,515,000	$	$ 1,055,000	$ 18,460,000
Unamortized Discounts	(74,493)		(6,456)	(68,037)
Unamortized Premiums	381,219		46,678	334,541
Bonds Payable, Net	$ 19,821,726	$ -0-	$ 1,095,222	$ 18,726,504

Amount Due Within One Year	$ 1,130,000
Amount Due After One Year	17,596,504
Bonds Payable, Net	$ 18,726,504

Future debt service requirements as of year end are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2024	$ 1,130,000	$ 595,563	$ 1,725,563
2025	1,195,000	550,512	1,745,512
2026	1,295,000	502,863	1,797,863
2027	1,345,000	464,362	1,809,362
2028	855,000	424,363	1,279,363
2029-2033	4,855,000	1,658,212	6,513,212
2034-2038	5,435,000	679,112	6,114,112
2039-2040	2,350,000	75,438	2,425,438
	$ 18,460,000	$ 4,950,425	$ 23,410,425

The District has authorized but unissued bonds in the amount of $38,480,000 for improvements and facilities or for refunding such bonds and $4,441,409 for 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 December 31, 2023, the District levied an ad valorem debt service tax rate of $0.52 per $100 of assessed valuation, which resulted in a tax levy of $1,788,036 on the adjusted taxable valuation of $343,853,022 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.

NOTE 3. LONG-TERM DEBT (Continued)

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 is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system. 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 respective bonds.

The District has covenanted that it will 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 minimum requirement for determination of the rebatable amount is every five years on the anniversary of the bond issue.

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 $1,070,883 and the bank balance was $1,170,535. The District was not exposed to custodial credit risk at year-end.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2023, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	$ 174,002	$ 235,000	$ 409,002
DEBT SERVICE FUND	660,886		660,886
CAPITAL PROJECTS FUND	995		995
TOTAL DEPOSITS	$ 835,883	$ 235,000	$ 1,070,883

Restrictions

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

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in Texas CLASS, an external investment pool that is not SEC-registered. Texas CLASS invests only in securities allowed by the Public Funds Investment Act and is governed by a board of trustees, elected annually by its participants. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor and UMB Bank, N.A. serves as custodian for the pool. Texas CLASS is rated AAAm by Standard and Poor's. Texas CLASS measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in Texas CLASS at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texas CLASS.

The District records its investments in certificates of deposit at acquisition cost.

As of December 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 2,834,859	$ 2,834,859
Certificate of Deposit	235,000	235,000
DEBT SERVICE FUND		
Texas CLASS	1,983,817	1,983,817
CAPITAL PROJECTS FUND		
Texas CLASS	2,441,074	2,441,074
TOTAL INVESTMENTS	$ 7,494,750	$ 7,494,750

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit collateralized in accordance with Texas statutes. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	January 1, 2023	Increases	Decreases	December 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 669,131	$	$	$ 669,131
Construction in Progress	890,350	2,552,441	1,253,224	2,189,567
Total Capital Assets Not Being Depreciated	$ 1,559,481	$ 2,552,441	$ 1,253,224	$ 2,858,698
Capital Assets Subject to Depreciation				
Water System	$ 13,313,201	$ 161,389	$	$ 13,474,590
Wastewater System	9,769,927	783,025		10,552,952
Drainage System and Detention Facilities	1,398,844	308,810		1,707,654
Total Capital Assets Subject to Depreciation	$ 24,481,972	$ 1,253,224	$ - 0 -	$ 25,735,196
Less Accumulated Depreciation				
Water System	$ 5,405,048	$ 320,898	$	$ 5,725,946
Wastewater System	5,157,536	286,917		5,444,453
Drainage System and Detention Facilities	266,344	23,784		290,128
Total Accumulated Depreciation	$ 10,828,928	$ 631,599	$ - 0 -	$ 11,460,527
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 13,653,044	$ 621,625	$ - 0 -	$ 14,274,669
Total Capital Assets, Net of Accumulated Depreciation	$ 15,212,525	$ 3,174,066	$ 1,253,224	$ 17,133,367

NOTE 7. MAINTENANCE TAX

At an election held on November 3, 1987, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and sanitary sewer system. During the year ended December 31, 2023, the District levied an ad valorem maintenance tax rate of $0.25 per $100 of assessed valuation, which resulted in a tax levy of $859,633 on the adjusted taxable valuation of $343,853,022 for the 2023 tax year.

NOTE 8. CONTRACTS WITH OTHER DISTRICTS

Harris County Municipal Utility District No. 217

On September 14, 1982, the District entered into an agreement with Harris County Municipal Utility District No. 217 ("District No. 217") to provide both temporary and emergency water supply services. All necessary costs of connection to the District's system were borne by District No. 217. Since District No. 217 completed the construction of its permanent water supply facilities in a prior year, the contract provisions relating to temporary water service are no longer applicable. The emergency water supply agreement was amended and restated on January 1, 2015. The supplying district may receive payment in kind or in dollars. If paid in dollars, the charge for emergency water services is the surface water rate established by the Central Harris County Regional Water Authority per 1,000 gallons of water delivered. The term of this contract is 35 years.

Harris County Municipal Utility District No. 33

On October 10, 1979, the District entered into an emergency water supply agreement with Harris County Municipal Utility District No. 33 ("District No. 33"). On April 24, 1986, this contract was amended and extended for 15 years from the date of execution to expire in 2001. The cost of connecting the two systems was borne by each respective district. The Third Amended and Restated Emergency Water Supply contract was entered into as of July 19, 2006.

The price to be paid for water delivered pursuant to this contract during an emergency shall at the option of the supplying district be (a) repaid by the receiving district in kind as soon as possible at the end of the emergency, or on such timetable as may be agreeable to the parties, or (b) be billed at the rate of $1.00 per 1,000 gallons of water metered. In the event that the supplying district purchased all or a portion of the water supplied during each emergency from an adjoining district due to an inability of such supplying district to meet the water demand of its in-district customers and the receiving district solely through utilization of its own water production facilities, the receiving district shall pay the supplying district for water received at a rate per 1,000 gallons equal to the rate paid by the supplying district for such water in the event that such rate is greater than the rate provided above.

If the supplying district has converted to use of surface water in whole or in part, or is purchasing some or all of its water from the City of Houston, or if additional fees are imposed upon the supplying district by a regional water authority or other governmental entity, the rate per 1,000 gallons shall be the actual cost (per 1,000 gallons) to the supplying district to purchase surface water or other water from the City of Houston, or the above rate increased by the amount of the fee imposed by such regional water authority or governmental entity. The term of the contract is 40 years.

NOTE 8. CONTRACTS WITH OTHER DISTRICTS (Continued)

Harris County Municipal Utility District No. 150

On August 27, 2003, the District entered into an emergency water supply agreement with Harris County Municipal Utility District No. 150 ("District No. 150"). The District will construct, at the District's expense, a twelve-inch waterline from the District's water supply system to connect with District No. 150's water supply system. The District installed a meter capable of measuring the flow of water to either party at the District's cost. The cost of maintaining the interconnect lines will be borne by each respective district. The price to be paid for water delivered pursuant to this contract shall be at the option of the supplying party by either (a) repayment by the receiving party in kind as soon as possible after the end of the emergency or at such time agreeable to the parties, or (b) be billed to the receiving party at the rate of $0.50 per thousand gallons of water usage if supplied from the District's existing water production facilities and not purchased from other entities. The term of the contract is 50 years.

NOTE 9. WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Water Supply Contract with the City ("Supply Contract") on September 24, 2002. Pursuant to the Supply Contract, the District constructed all facilities necessary to enable it to receive water from the City's distribution system. The District's connection to the City's system is metered. The District must pay for the minimum monthly quantity whether or not the water is used. The District is entitled to revise its minimum monthly quantity once each year by providing written notice to the City. The charge for water is calculated in accordance with the City Ordinance applicable to contract treated water customers. If the District exceeds the minimum monthly quantity, surcharges apply. The rates charged by the City may be amended at any time. The agreement shall expire on the 40th anniversary of the contract date. This agreement satisfies the subsidence district's mandate for conversion to surface water in the future. The District has its own ground water reduction plan. During the current fiscal year, the District recorded an expenditure of $422,625 for water received from the City.

NOTE 10. RISK MANAGEMENT

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

NOTE 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 water, sewer, and drainage facilities until such time as the District can sell bonds. Reimbursement to the Developers will come from future bond sales or other available funds, subject to the terms of the contracts between the District and the Developers. The following table summarizes the changes in amounts owed to developers during the current fiscal year.

Due to Developer, January 1, 2023	$ 847,875
Add: Current Year Additions	854,285
Due to Developer, December 31, 2023	$ 1,702,160

NOTE 12. SUBSEQUENT EVENT – PENDING BOND SALE

In the second quarter of 2024, the District anticipates closing on the sale of its $11,160,000 Unlimited Tax Bonds, Series 2024. It is anticipated that a portion of the bond proceeds will be used to reimburse certain developers for land as well as the construction of utilities serving Acorn Meadow and Hugh Landing. Bond proceeds will also be used to pay for District construction projects including rehabilitation and improvements to the District’s water and wastewater facilities as well as detention and drainage reserves serving the Acorn Meadow and Hugh Landing developments. Bond proceeds will also fund developer interest, capitalized interest, and bond issuance costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 750,000	$ 749,824	$ (176)
Water Service	865,000	956,556	91,556
Wastewater Service	600,000	651,653	51,653
Connection and Inspection Fees	119,500	99,481	(20,019)
Penalty and Interest	65,000	76,136	11,136
Investment and Miscellaneous Revenues	102,600	163,163	60,563
TOTAL REVENUES	$ 2,502,100	$ 2,696,813	$ 194,713
EXPENDITURES			
Service Operations:			
Professional Fees	$ 177,000	$ 151,536	$ 25,464
Contracted Services	280,100	325,312	(45,212)
Purchased Water Service	465,000	422,625	42,375
Utilities	140,700	137,825	2,875
Repairs, Maintenance, and Capital Outlay	983,350	1,024,199	(40,849)
Other	447,200	508,312	(61,112)
TOTAL EXPENDITURES	$ 2,493,350	$ 2,569,809	$ (76,459)
NET CHANGE IN FUND BALANCE	$ 8,750	$ 127,004	$ 118,254
FUND BALANCE - JANUARY 1, 2023	2,875,498	2,875,498	
FUND BALANCE - DECEMBER 31, 2023	$ 2,884,248	$ 3,002,502	$ 118,254

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

X	Retail Water		Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection	X	Security
	Solid Waste/Garbage		Flood Control		Roads

_____ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

_____ Other (specify): ____________________

2. RETAIL SERVICE PROVIDERS

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

The rates below are based on the rate order effective August 16, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 30.75	3,000	N	$ 3.75	3,001 to 8,000
				4.00	8,001 to 15,000
				4.50	15,001 and up
WASTEWATER:	$ 30.75		Y		

District employs winter averaging for wastewater usage? _____ Yes   X No

Total monthly charges per 10,000 gallons usage: Water: $57.50 Wastewater: $30.75 Total: $88.25

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	1,888	1,869	x 1.0	1,869
1"	9	7	x 2.5	18
1½"	9	9	x 5.0	45
2"	10	9	x 8.0	72
3"	2	2	x 15.0	30
4"	2	2	x 25.0	50
6"	2	2	x 50.0	100
8"	2	2	x 80.0	160
10"	1	1	x 115.0	115
Total Water Connections	1,925	1,903		2,459
Total Wastewater Connections	1,911	1,890	x 1.0	1,890

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

Gallons pumped into system:	102,782,000	Water Accountability Ratio: 89.5% (Gallons billed/Gallons pumped and purchased)
Gallons purchased:	75,441,000	From: City of Houston, Texas
Gallons billed to customers:	159,434,000	

See accompanying independent auditor's report.

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

Does the District have Debt Service standby fees? Yes __ No _X_

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ___

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2023

PROFESSIONAL FEES:		
Arbitrage	$	3,250
Auditing		21,000
Engineering		60,389
Legal		66,897
TOTAL PROFESSIONAL FEES	$	151,536
PURCHASED WATER SERVICE	$	422,625
CONTRACTED SERVICES:		
Bookkeeping	$	79,026
Operations and Billing		89,149
Security		157,137
TOTAL CONTRACTED SERVICES	$	325,312
UTILITIES:		
Electricity	$	135,459
Telephone		2,366
TOTAL UTILITIES	$	137,825
REPAIRS AND MAINTENANCE	$	999,221
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes and Administration	$	37,568
Insurance		34,179
Office Supplies and Postage		12,482
Travel, Meetings, and Other		28,568
TOTAL ADMINISTRATIVE EXPENDITURES	$	112,797
CAPITAL OUTLAY	$	24,978
OTHER EXPENDITURES:		
Chemicals	$	70,045
Laboratory Fees		45,931
Permit Fees		16,254
Connection, Inspection and Reconnection Fees		118,441
Regulatory Assessment		7,585
Sludge Hauling		137,259
TOTAL OTHER EXPENDITURES	$	395,515
TOTAL EXPENDITURES	$	2,569,809

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
INVESTMENTS
DECEMBER 31, 2023

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 2,834,859	$
Certificate of Deposit	XXXX1348	5.50%	09/27/24	235,000	3,399
TOTAL GENERAL FUND				$ 3,069,859	$ 3,399
DEBT SERVICE FUND					
Texas CLASS	XXXX0003	Varies	Daily	$ 1,983,817	$ - 0 -
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 52,206	$
Texas CLASS	XXXX0004	Varies	Daily	2,388,868	
TOTAL CAPITAL PROJECTS FUND				$ 2,441,074	$ - 0 -
TOTAL - ALL FUNDS				$ 7,494,750	$ 3,399

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2023	$ 622,798		$ 1,490,759	
Adjustments to Beginning Balance	(5,349)	$ 617,449	(12,971)	$ 1,477,788
Original 2023 Tax Levy	$ 826,558		$ 1,719,241	
Adjustment to 2023 Tax Levy	33,075	859,633	68,795	1,788,036
TOTAL TO BE ACCOUNTED FOR		$ 1,477,082		$ 3,265,824
TAX COLLECTIONS:				
Prior Years	$ 576,027		$ 1,337,474	
Current Year	160,426	736,453	333,686	1,671,160
TAXES RECEIVABLE - DECEMBER 31, 2023		$ 740,629		$ 1,594,664
TAXES RECEIVABLE BY YEAR:				
2023		$ 699,207		$ 1,454,350
2022		10,338		23,985
2021		6,336		16,473
2020		4,799		14,013
2019		3,986		12,756
2018		3,183		10,184
2017		2,711		9,326
2016 and Prior		10,069		53,577
TOTAL		$ 740,629		$ 1,594,664

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022	2021	2020
PROPERTY VALUATIONS:				
Land	$ 91,010,274	$ 57,207,691	$ 54,850,057	$ 54,603,662
Improvements	388,162,360	370,429,957	317,229,173	292,015,867
Personal Property	6,442,215	6,626,922	4,074,583	3,400,753
Exemptions	(141,761,827)	(129,780,492)	(115,635,522)	(114,173,711)
TOTAL PROPERTY VALUATIONS	$ 343,853,022	$ 304,484,078	$ 260,518,291	$ 235,846,571
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.52	$ 0.58	$ 0.65	$ 0.73
Maintenance**	0.25	0.25	0.25	0.25
TOTAL TAX RATES PER $100 VALUATION	$ 0.77	$ 0.83	$ 0.90	$ 0.98
ADJUSTED TAX LEVY*	$ 2,647,669	$ 2,527,221	$ 2,344,671	$ 2,311,304
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	18.66 %	98.64 %	99.03 %	99.19 %

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

** Maintenance Tax – Maximum tax rate of $0.25 per $100 of assessed valuation approved by voters on November 3, 1987.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

	REFUNDING SERIES-2015		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$ 15,000	$ 78,000	$ 93,000
2025	15,000	77,550	92,550
2026	1,260,000	77,100	1,337,100
2027	1,310,000	39,300	1,349,300
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	$ 2,600,000	$ 271,950	$ 2,871,950

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

	SERIES-2016		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$	$ 280,000	$ 280,000
2025		280,000	280,000
2026		280,000	280,000
2027		280,000	280,000
2028	550,000	280,000	830,000
2029	555,000	258,000	813,000
2030	570,000	235,800	805,800
2031	980,000	213,000	1,193,000
2032	1,020,000	173,800	1,193,800
2033	1,060,000	133,000	1,193,000
2034	1,110,000	90,600	1,200,600
2035	1,155,000	46,200	1,201,200
2036			
2037			
2038			
2039			
2040			
	$ 7,000,000	$ 2,550,400	$ 9,550,400

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

	REFUNDING SERIES-2020		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$ 1,115,000	$ 112,700	$ 1,227,700
2025	1,180,000	68,100	1,248,100
2026	35,000	20,900	55,900
2027	35,000	20,200	55,200
2028	305,000	19,500	324,500
2029	325,000	13,400	338,400
2030	345,000	6,900	351,900
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	$ 3,340,000	$ 261,700	$ 3,601,700

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

	SERIES - 2020A		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	$	$ 124,863	$ 124,863
2025		124,862	124,862
2026		124,863	124,863
2027		124,862	124,862
2028		124,863	124,863
2029		124,862	124,862
2030		124,863	124,863
2031		124,862	124,862
2032		124,863	124,863
2033		124,862	124,862
2034		124,862	124,862
2035		124,862	124,862
2036	1,015,000	124,862	1,139,862
2037	1,055,000	94,413	1,149,413
2038	1,100,000	73,313	1,173,313
2039	1,150,000	49,938	1,199,938
2040	1,200,000	25,500	1,225,500
	$ 5,520,000	$ 1,866,375	$ 7,386,375

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	$ 1,130,000	$ 595,563	$ 1,725,563
2025	1,195,000	550,512	1,745,512
2026	1,295,000	502,863	1,797,863
2027	1,345,000	464,362	1,809,362
2028	855,000	424,363	1,279,363
2029	880,000	396,262	1,276,262
2030	915,000	367,563	1,282,563
2031	980,000	337,862	1,317,862
2032	1,020,000	298,663	1,318,663
2033	1,060,000	257,862	1,317,862
2034	1,110,000	215,462	1,325,462
2035	1,155,000	171,062	1,326,062
2036	1,015,000	124,862	1,139,862
2037	1,055,000	94,413	1,149,413
2038	1,100,000	73,313	1,173,313
2039	1,150,000	49,938	1,199,938
2040	1,200,000	25,500	1,225,500
	$ 18,460,000	$ 4,950,425	$ 23,410,425

See accompanying independent auditor’s report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023

Description	Original Bonds Issued	Bonds Outstanding January 1, 2023
Harris Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2015	$ 2,765,000	$ 2,615,000
Harris Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2016	7,000,000	7,000,000
Harris Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2020	5,390,000	4,380,000
Harris Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2020A	5,520,000	5,520,000
TOTAL	$ 20,675,000	$ 19,515,000

Debt Service Fund cash and investment balances as of December 31, 2023:	$ 2,644,703
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,377,084

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

See accompanying independent auditor's report.

Current Year Transactions				
	Retirements		Bonds Outstanding	
Bonds Sold	Principal	Interest	December 31, 2023	Paying Agent
$	$ 15,000	$ 78,450	$ 2,600,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
		280,000	7,000,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
	1,040,000	154,300	3,340,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		124,863	5,520,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
$ - 0 -	$ 1,055,000	$ 637,613	$ 18,460,000	

Remaining Bond Authorization: The District has authorized but unissued bonds in the amount of $38,480,000 for improvements and facilities or for refunding such bonds and $4,441,409 for refunding purposes.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	$ 749,824	$ 646,397	$ 590,398
Water Service	956,556	853,610	806,017
Wastewater Service	651,653	590,258	582,459
Connection and Inspection Fees	99,481	87,017	18,494
Penalty and Interest	76,136	58,860	44,770
Investment and Miscellaneous Revenues	163,163	50,591	14,959
TOTAL REVENUES	$ 2,696,813	$ 2,286,733	$ 2,057,097
EXPENDITURES			
Professional Fees	$ 151,536	$ 135,729	$ 152,844
Contracted Services	325,312	285,569	247,171
Purchased Water Service	422,625	444,526	232,031
Utilities	137,825	133,581	136,545
Repairs and Maintenance	999,221	965,341	820,824
Other	508,312	363,010	313,071
Capital Outlay	24,978	31,258	30,651
TOTAL EXPENDITURES	$ 2,569,809	$ 2,359,014	$ 1,933,137
NET CHANGE IN FUND BALANCE	$ 127,004	$ (72,281)	$ 123,960
BEGINNING FUND BALANCE	2,875,498	2,947,779	2,823,819
ENDING FUND BALANCE	$ 3,002,502	$ 2,875,498	$ 2,947,779

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
$ 537,844	$ 497,369	27.7 %	28.3 %	28.7 %	26.6 %	23.5 %
801,692	789,820	35.5	37.3	39.2	39.7	37.6
566,681	577,263	24.2	25.8	28.3	28.0	27.5
19,131	94,918	3.7	3.8	0.9	0.9	4.6
49,530	63,070	2.8	2.6	2.2	2.5	3.0
45,860	80,465	6.1	2.2	0.7	2.3	3.8
$ 2,020,738	$ 2,102,905	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 154,481	$ 173,364	5.6 %	5.9 %	7.4 %	7.6 %	8.2 %
279,476	292,650	12.1	12.5	12.0	13.8	13.9
168,466	310,740	15.7	19.4	11.3	8.3	14.8
139,286	140,555	5.1	5.8	6.6	6.9	6.7
769,963	644,051	37.1	42.2	39.9	38.1	30.6
320,505	355,310	18.8	15.9	15.2	15.9	16.9
		0.9	1.4	1.5		
$ 1,832,177	$ 1,916,670	95.3 %	103.1 %	93.9 %	90.6 %	91.1 %
$ 188,561	$ 186,235	4.7 %	(3.1) %	6.1 %	9.4 %	8.9 %
2,635,258	2,449,023					
$ 2,823,819	$ 2,635,258					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	$ 1,740,686	$ 1,681,645	$ 1,725,862
Penalty and Interest	50,578	46,126	43,164
Investment and Miscellaneous Revenues	135,321	44,839	11,474
TOTAL REVENUES	$ 1,926,585	$ 1,772,610	$ 1,780,500
EXPENDITURES			
Tax Collection Expenditures	$ 84,916	$ 87,775	$ 79,178
Debt Service Principal	1,055,000	1,005,000	1,005,000
Debt Service Interest and Fees	642,563	680,963	624,178
Bond Issuance Costs			
Payment to Refunded Bond Escrow Agent			
TOTAL EXPENDITURES	$ 1,782,479	$ 1,773,738	$ 1,708,356
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 144,106	$ (1,128)	$ 72,144
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Refunding Bonds	$	$	$
Payment to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 144,106	$ (1,128)	$ 72,144
BEGINNING FUND BALANCE	1,936,534	1,937,662	1,865,518
ENDING FUND BALANCE	$ 2,080,640	$ 1,936,534	$ 1,937,662
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,903	1,864	1,851
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,890	1,850	1,839

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
$ 1,721,180	$ 1,592,972	90.4 %	94.9 %	97.0 %	96.3 %	94.7 %
36,322	39,412	2.6	2.6	2.4	2.0	2.3
30,415	50,508	7.0	2.5	0.6	1.7	3.0
$ 1,787,917	$ 1,682,892	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 76,568	$ 73,656	4.4 %	5.0 %	4.4 %	4.3 %	4.4 %
950,000	915,000	54.8	56.7	56.4	53.1	54.4
635,125	663,112	33.4	38.4	35.1	35.5	39.4
250,406					14.0	
18,000					1.0	
$ 1,930,099	$ 1,651,768	92.6 %	100.1 %	95.9 %	107.9 %	98.2 %
$ (142,182)	$ 31,124	7.4 %	(0.1) %	4.1 %	(7.9) %	1.8 %
$ 5,390,000	$					
(5,572,322)						
432,728						
$ 250,406	$ - 0 -					
$ 108,224	$ 31,124					
1,757,294	1,726,170					
$ 1,865,518	$ 1,757,294					
1,859	1,854					
1,849	1,843					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2023

District Mailing Address	-	Harris County Municipal Utility District No. 5 c/o Marks Richardson PC 3700 Buffalo Speedway, Suite 830 Houston, TX 77098
District Telephone Number	-	(713) 942-9922

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2023	Expense Reimbursements for the year ended December 31, 2023	Title
Edith Abraham	05/22 05/26 (Elected)	$ 7,200	$ 3,813	President
Felicia Young	05/22 05/26 (Elected)	$ 7,200	$ 3,661	Vice President
Angeline Lee	05/20 05/24 (Elected)	$ 6,331	$ 3,371	Secretary
Joel Rodriguez	09/21 05/24 (Appointed)	$ 4,926	$ 2,353	Assistant Secretary
Althea Wallace	04/22 05/24 (Appointed)	$ 7,200	$ 3,145	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.

Submission date of most recent District Registration Form: May 24, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on August 29, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2023

Consultants:	Date Hired	Fees for the year ended December 31, 2023	Title
Marks Richardson PC	01/01/03	$ 69,517	General Counsel
McCall Gibson Swedlund Barfoot PLLC	12/17/87	$ 21,000	Auditor
Municipal Accounts and Consulting, L.P.	10/23/17	$ 82,886	Bookkeeper
Ted A. Cox, P.C.	05/17/95	$ 18,067	Delinquent Tax Attorney
A & S Engineers, Inc.	06/16/99	$ 255,820	Engineer
Rathmann & Associates, L.P.	04/09/03	$ -0-	Financial Advisor
INFRAMARK, LLC	11/01/01	$ 1,418,763	Operator
B&A Municipal Tax Service, LLC	08/15/11	$ 42,505	Tax Assessor/ Collector
Mark Burton	12/20/17	$ -0-	Investment Officer
Ghia Lewis	12/20/17	$ -0-	Investment Officer

See accompanying independent auditor's report.

RATHMANN
&
ASSOCIATES
Financial Advisor to the District