OFFICIAL STATEMENT DATED JANUARY 24, 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 PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (AGM Insured) …. "AA" (stable outlook)
Moody's Investors Service, Inc. (AGM Insured) … "A1" (stable outlook)
Moody's Investors Service, Inc. (Underlying)… "Baa2"
See "BOND INSURANCE" and "RATINGS" herein

$4,750,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 420
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2024

Dated: February 1, 2024 | **Due: September 1, as shown on the on inside cover**
Interest Accrual Date: Date of Delivery

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in 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 February 28, 2024) (the "Date of Delivery"), and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of $5,000 or any integral multiple thereof in fully registered form only.

The outstanding amounts of the Bonds, including the Term Bonds, maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 420 (the "District"), as a whole or from time to time 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."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer").

ASSURED GUARANTY® MUNICIPAL

See Maturity Schedule on the inside cover

The Bonds constitute the fifth series of bonds issued by the District for the purpose of acquiring and constructing the waterworks, sanitary sewer and storm drainage system (the "Utility System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of $20,600,000 principal amount of bonds for the purpose of acquiring and constructing the System and $20,600,000 principal amount of bonds for refunding purposes. Following the issuance of the Bonds, $7,055,000 principal amount of unlimited tax bonds authorized by the District's voters for acquiring and constructing the System will remain authorized and unissued and $20,445,000 of bonds for refunding purposes will remain authorized and unissued. See "THE BONDS – Issuance of Additional Debt."

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 of 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 Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about February 28, 2024.

MATURITY SCHEDULE

CUSIP Prefix(a): 41421H

$3,225,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
2026	$75,000	6.500%	3.40%	FF9
2027	85,000	6.500	3.30	FG7
2028	45,000	6.500	3.30	FH5
****	****			
2042 (c)	300,000	4.000	4.15	FX0
2043 (c)	300,000	4.000	4.20	FY8
2044 (c)	305,000	4.125	4.24	FZ5
2045 (c)	285,000	4.125	4.27	GA9
2046 (c)	290,000	4.125	4.30	GB7
2047 (c)	750,000	4.125	4.32	GC5
2048 (c)	790,000	4.125	4.33	GD3

$170,000 Term Bonds, Due September 1, 2031(c)(d), CUSIP Suffix FL6 (a), Interest Rate 6.50% (Yield 3.30%)(b)
$145,000 Term Bonds, Due September 1, 2033(c)(d), CUSIP Suffix FN2 (a), Interest Rate 4.00% (Yield 3.45%)(b)
$170,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix FQ5 (a), Interest Rate 4.00% (Yield 3.60%)(b)
$175,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix FS1 (a), Interest Rate 4.00% (Yield 3.80%)(b)
$400,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix FU6 (a), Interest Rate 4.00% (Yield 4.00%)(b)
$465,000 Term Bonds, Due September 1, 2041(c)(d), CUSIP Suffix FW2 (a), Interest Rate 4.00% (Yield 4.10%)(b)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers will be 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 above.
(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 to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

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

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

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

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

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

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will," or other words orphrases 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 risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX C -SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

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 SAMCO Capital Markets, Inc. (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 97.0% of the principal amount thereof, which resulted in a net effective interest rate of 4.290914%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Marketability

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

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

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

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and related entities. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 20, 2023, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 13, 2023, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At September 30, 2023:

- The policyholders' surplus of AGM was approximately $2,569 million.

- The contingency reserve of AGM was approximately $908 million.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (filed by AGL with the SEC on November 8, 2023).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

In the event the 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 the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “BOND INSURANCE” and “RATINGS” herein. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” the rating of the Insurer’s creditworthiness by any rating agency does 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 constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriters of their obligation to take up and pay for the Bonds.

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

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

RATINGS

The Bonds have been assigned an insured rating of “AA” (stable outlook) from S&P Global Ratings (“S&P”), a business unit of Standard & Poor’s Financial Services LLC, and are expected to be assigned an insured rating of “A1” (stable outlook) from Moody’s Investors Service, Inc. (“Moody’s”), based upon the issuance and delivery of the Insurance Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody’s is “Baa2.”

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody’s. The foregoing ratings express only the view of S&P and Moody’s at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P and Moody’s, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody’s. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

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. 420 (the "District") is a political subdivision of the State of Texas located within Harris County, Texas. See "THE DISTRICT - Authority."
Description	\$4,750,000 Unlimited Tax Bonds, Series 2024, are dated February 1, 2024. Interest on the Bonds accrues from the Date of Delivery (as defined herein), at the rates shown on the inside cover hereof, and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until maturity or prior redemption. An aggregate of \$3,225,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2026 through 2028, both inclusive, and 2042 through 2048, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$1,525,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2041 (collectively, the "Term Bonds"), in the principal amounts and at the rates set forth on the inside cover page of this Official Statement. 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 outstanding amounts of the Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, prior to their scheduled maturities, on September 1, 2029, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption "THE BONDS - Redemption Provisions - Mandatory Redemption." See "THE BONDS."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent

payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

Source of Payment.. Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS - Source of Payment," "TAX DATA - Tax Rate Calculations," and "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 (a) the District's costs associated with the construction and acquisition of water, wastewater and drainage facilities serving Anderson Lake, Section 1; and Anderson Lake Detention Pond and Lift Station, including land acquisition costs; and (b) engineering costs for such items and for the commercial tract; (ii) pay interest on advances made to or on behalf of the District; and (iii) pay for bond issuance expenses, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") 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."

Payment Record .... The Bonds are the fifth series of bonds issued by the District to finance water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the "System"). The District has previously issued Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds") and Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds") to finance components of the System. The District also has issued one series of refunding bonds, the Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds") to refund outstanding bonds of the District. All of such previously issued bonds of the District are hereinafter referred to as the "Prior Bonds." The District has timely paid all payments on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was $7,100,000 (collectively, the "Outstanding Bonds"), and after the issuance of the Bonds, the total of the District's direct bonded indebtedness owing, consisting of the Outstanding Bonds and the Bonds, will be $11,850,000.

Authorized but Unissued Bonds......................... $7,055,000 for the purpose of acquiring or constructing waterworks, sanitary sewer, and storm drainage facilities (after issuance of the Bonds), and $20,445,000 for refunding purposes. See "THE BONDS - Issuance of Additional Debt." In addition to the components of the System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see

"THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "FUTURE DEVELOPMENT."

Municipal Bond Insurance.................................	Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."
Municipal Bond Ratings...................................	S&P Global Ratings (AGM Insured) "AA" (stable outlook). Moody's Investors Services, Inc. (AGM Insured) "A1" (stable outlook). Moody's Investors Services, Inc. (Underlying) "Baa2." See "BOND INSURANCE," "BOND INSURANCE RISK FACTORS" and "RATINGS."
Bond Counsel...	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
Disclosure Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Qualified Tax-Exempt Obligations....................	The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax-Exempt Obligations.

THE DISTRICT

Description..	The District is a political subdivision of the State of Texas, created by Order of the TCEQ on August 4, 2005. At the time of creation, the District contained approximately 99.22 acres of land. The District annexed 5.2281 acres on August 3, 2016, and annexed 73.845 acres on September 21, 2018, bringing the current total acreage to 178.2931. The District is located entirely within Harris County, Texas, approximately 16 miles south of the City of Houston, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located north of the Sam Houston Tollway, south of Anderson Road and east of Hiram Clarke. The District lies wholly within the Houston Independent School 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 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."

Developer, Development of the District And Home Construction ....

As of December 1, 2023, the District contained 684 homes, including 37 homes under construction. See “BUILDERS.” According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage facilities, detention facilities and street paving have been completed to serve 693 single-family residential lots located in Summerlyn, Sections 1 through 5, and Anderson Lake, Sections 1 and 2 (approximately 116.14 total acres) in the District. In addition, approximately 5 acres of land located within the District have been developed for future commercial purposes, on 2.67 acres of which a convenience store has been constructed.

The developer of Anderson Lake located within the District, Liberty DS Hiram Clarke LLC (“Liberty DS”) (described under the caption “DEVELOPER”), has completed the development of 183 single-family residential lots that have been subdivided as Anderson Lake, Sections 1 and 2. Liberty DS owns approximately 19.9 acres of currently undeveloped land located within the District that are available for future development, all of which Liberty DS expects to develop as Anderson Lake, Section 3. Construction of water distribution, wastewater collection, and storm sewer facilities to serve the 111 lots in Anderson Lake, Section 3 is expected to commence by approximately January 31, 2024, and be completed by approximately April 30, 2024.

The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur. The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPER,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2023 Taxpayers.”

In addition to the components of the System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “FUTURE DEVELOPMENT.”

According to Liberty DS, its affiliate Liberty Home Builders and Smith Douglas Homes are currently constructing homes in Anderson Lakes which range in size from approximately 1,454 to 2,719 square feet of living area and in sales price from approximately $287,990 to $428,330.

Liberty Home Builders and Smith Douglas Homes (together, the "Builders") may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2023 Assessed Valuation (As of January 1, 2023) See "TAX DATA" and "TAXING PROCEDURES"	$	157,160,758	(a)
Estimated Valuation at December 1, 2023 See "TAX DATA" and "TAXING PROCEDURES"	$	172,613,447	(b)
Direct Debt:			
Outstanding Bonds	$	7,100,000	
The Bonds		4,750,000	
Total	$	11,850,000	(c)
Estimated Overlapping Debt	$	2,438,747	
Total Direct and Estimated Overlapping Debt	$	14,288,747	
Direct Debt Ratios			
: as a percentage of 2023 Assessed Valuation		7.54	%
: as a percentage of Estimated Valuation at December 1, 2023		6.87	%
Direct and Overlapping Debt Ratios			
: as a percentage of 2023 Assessed Valuation		9.09	%
: as a percentage of Estimated Valuation at December 1, 2023		8.28	%
Debt Service Fund Balance as of November 29, 2023	$	741,001	(d)
General Fund Balance as of November 29, 2023	$	1,312,048	
2023 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.52	
Maintenance Tax		0.51	
Total	$	1.03	(e)
Average Percentage of Total Tax Collections (2013-2022) as of November 30, 2023		99.86	%
Percentage of Tax Collections 2023 Levy as of November 30, 2023		1.16	%
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026-2048)	$	784,209	
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2048)	$	822,588	
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026-2048) at 95% Tax Collections			
Based Upon 2023 Assessed Valuation	$	0.53	
Based Upon Estimated Valuation at December 1, 2023	$	0.48	

Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2048) at 95% Tax Collections		
Based Upon 2023 Assessed Valuation	$	0.56
Based Upon Estimated Valuation at December 1, 2023	$	0.51
Number of Single Family Residences (including 37 homes under construction)		684

(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"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is $202,486, which total is included in the amount of $157,160,758. The Appraisal District has proposed the valuation of such protested properties to be $222,066. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $1,324,862, which total is also included in the amount of $157,160,758. The District is unable to predict the amount of the District's final 2023 Assessed Valuation. Such final 2023 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2023. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of December 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through November 30, 2023. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2023, through November 30, 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. See "TAXING PROCEDURES."

(c) In addition to the components of the System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

(d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service payments that were due for 2023 on the Outstanding Bonds. The District's initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on September 1, 2024.

(e) The District levied a debt service tax in the amount of $0.52 per $100 of Assessed Valuation for 2023, plus a maintenance tax of $0.51 per $100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2023 tax levies of all units of government which levy taxes against the property located within the District, plus the 2023 tax of the District is $2.525621 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is 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."

$4,750,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 420
UNLIMITED TAX BONDS
SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 420 (the “District”) of its $4,750,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, an election held within the District (see “THE BONDS - Authority for Issuance”), an order of the TCEQ, and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds.

The Bonds are dated February 1, 2024. Interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover page hereof, and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. An aggregate of $3,225,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2026 through 2028, both inclusive, and 2042 through 2048, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of $1,525,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2041 (collectively, the “Term Bonds”), in the principal amounts and at the rates set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”).

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

Payment Record

The Bonds are the fifth series of bonds issued by the District to finance water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the “System”). The District has previously issued Unlimited Tax Bonds, Series 2008 (the “Series 2008 Bonds”), Unlimited Tax Bonds, Series 2010 (the “Series 2010

Bonds”), Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”) and Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”) to finance components of the System. The District also has issued one series of refunding bonds, the Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) to refund outstanding bonds of the District. All of such previously issued bonds of the District are hereinafter referred to as the “Prior Bonds.” The District has timely paid all payments on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was $7,100,000 (collectively, the “Outstanding Bonds”), and after the issuance of the Bonds, the total of the District’s direct bonded indebtedness owing, consisting of the Outstanding Bonds and the Bonds, will be $11,850,000.

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers and Exchanges

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

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039 and 2041 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below).

$170,000 Term Bonds Maturing on September 1, 2031

Mandatory Redemption Dates	Principal Amount
September 1, 2029	$50,000
September 1, 2030	55,000
September 1, 2031 (maturity)	65,000

$145,000 Term Bonds Maturing on September 1, 2033

Mandatory Redemption Dates	Principal Amount
September 1, 2032	$65,000
September 1, 2033 (maturity)	80,000

$170,000 Term Bonds Maturing on September 1, 2035

Mandatory Redemption Dates	Principal Amount
September 1, 2034	$80,000
September 1, 2035 (maturity)	90,000

$175,000 Term Bonds Maturing on September 1, 2037

Mandatory Redemption Dates	Principal Amount
September 1, 2036	$85,000
September 1, 2037 (maturity)	90,000

$400,000 Term Bonds Maturing on September 1, 2039

Mandatory Redemption Dates	Principal Amount
September 1, 2038	$200,000
September 1, 2039 (maturity)	200,000

$465,000 Term Bonds Maturing on September 1, 2041

Mandatory Redemption Dates	Principal Amount
September 1, 2040	$170,000
September 1, 2041 (maturity)	295,000

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

Optional Redemption

The District reserves the right, at its option, to redeem the outstanding amounts of the Bonds, including the Term Bonds, maturing on September 1, 2031, and thereafter, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2029, or 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 optionally 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 to be redeemed shall be selected by DTC in accordance with is procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “THE BONDS - Book- Entry-Only System.” If fewer than all of the Term Bonds of a maturity are to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts of such maturity to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Resolution.

Replacement of Registrar

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

Authority for Issuance

At an election held within the District on November 8, 2005, the District authorized a total of $20,600,000 of bonds for the purpose of acquiring or constructing waterworks, sanitary sewer and storm drainage facilities and $20,600,000 of bonds for refunding purposes. The Bonds constitute the sixth issuance of bonds from such authorizations. After sale of the Bonds, a total of $7,055,000 principal amount of unlimited tax bonds for acquiring or constructing waterworks, sanitary sewer and storm drainage facilities and $20,445,000 for refunding purposes will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission.")

Source of Payment

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of $20,600,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities, and could authorize additional amounts. Following the issuance of the Bonds, $7,055,000 unlimited tax bonds will remain authorized but unissued. The District's voters also have authorized $20,600,000 unlimited tax bonds for refunding purposes, $20,445,000 of which remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ.) In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "Use and Distribution of Bond Proceeds" below and "THE SYSTEM"), the District expects to finance the acquisition of additional components of the System and other facilities, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt."

Based on present engineering cost estimates, in the opinion of the District's consulting engineer, DE Corp. (the "Engineer"), the $7,055,000 authorized but unissued bonds will be adequate to finance the remaining components of the System that will not have been financed with the proceeds of the Prior Bonds and the Bonds, but which the District expects to finance with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "DEVELOPMENT OF THE DISTRICT" and "THE SYSTEM."

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

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

No Arbitrage

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

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. See "Strategic Partnership" below.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

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 be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for 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 one or more 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 assets (such as cash and the utility system), and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance (a) the District's costs associated with the construction and acquisition of water, wastewater and drainage facilities serving Anderson Lake, Section 1; and Anderson Lake Detention Pond and Lift Station, including land acquisition costs; and (b) engineering costs for such items and for the commercial tract; (ii) pay interest on advances made to or on behalf of the District; and (iii) pay for bond issuance expenses, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") 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. Anderson Lake, Section 1	$	1,152,108
2. Engineering		172,816
Total Developer Contribution Items	$	1,324,924
B. District Items		
1. Anderson Lake Detention Pond	$	596,401
2. Lift Station to Serve Anderson Lake Development		1,024,020
3. Engineering		245,585
4. Additional Engineering Expense		275,470
5. Land Acquisition Lift Station		198,520
6. Land Acquisition Detention Pond		273,959
7. DEC Engineering – Commercial Tract		35,929
Total District Items	$	2,649,884
SUBTOTAL CONSTRUCTION COSTS	$	3,974,808
Less Surplus Funds		(100,000)
NET CONSTRUCTION COSTS	$	3,874,808
Non-Construction Costs		
1. Legal Fees	$	133,750
2. Financial Advisor Fees		95,000
3. Developer Interest Cost (a)		365,296
4. Bond Discount		142,500
5. Bond Issuance Expenses		54,021
6. Bond Application Report Costs		68,000
7. Attorney General Fee		4,750
8. TCEQ Bond Issuance Fee		11,875
TOTAL NON-CONSTRUCTION COSTS	$	875,192

TOTAL BOND ISSUE REQUIREMENT	**$**	**4,750,000**

(a) Represents interest owed to the Developer on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developer has borrowed funds.

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the TCEQ dated August 4, 2005, 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 totally 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; the control and diversion of storm water and the provision of parks and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct all of 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.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Houston for creation of the District, within whose extraterritorial jurisdiction the District lies, the District has agreed to observe certain City requirements. These requirements, among others, limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, recreational facilities and roads, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of District construction plans.

Description

At the time of creation, the District contained approximately 99.22 acres of land. The District annexed 5.2281 acres on August 3, 2016, and annexed 73.845 acres on September 21, 2018, bringing the current total acreage to 178.2931. The District is located entirely within Harris County, Texas, approximately 16 miles south of the City of Houston, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located north of the Sam Houston Tollway, south of Anderson Road and east of Hiram Clarke. The District lies wholly within the Houston Independent School District. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors, who have control over and management supervision of all affairs of the District. The directors serve four-year staggered terms. Elections are held in even-numbered years in May. The current members and officers of the Board, along with their respective terms of office, are listed below. The Directors do not reside within the District, but own a parcel of land that is subject to a promissory note and deed of trust.

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

Name	Position	Term Expires in May
Larry P. Hope	President	2024
Stephen Chad Scott	Vice President	2026
Chris Wilson	Assistant Vice President	2026
Steven R. Spillette	Secretary	2026
Shayna Helvey	Assistant Secretary	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's Tax Assessor/Collector is Assessments of the Southwest, Inc. According to Assessments of the Southwest, Inc., its employees serve as tax assessor/collector for approximately 204 taxing jurisdictions. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris Central Appraisal District and bills and collects such levy.

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc. Such firm acts as bookkeeper for approximately 359 utility districts.

Utility System Operator

Inframark Water & Infrastructure Services is the general operator of the System. According to Inframark Water & Infrastructure Services, it is currently engaged as utility system operator for approximately 125 utility districts.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's current auditor is McGrath & Co., PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's audit for the fiscal year ended April 30, 2023, which was prepared by McGrath & Co., PLLC, is included as “APPENDIX B” to this Official Statement.

Engineer

The consulting engineer for the District is DE Corp., Houston, Texas (the “Engineer”).

Disclosure Counsel

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

Bond Counsel

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

Financial Advisor

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

DEVELOPMENT AND HOME CONSTRUCTION

As of December 1, 2023, the District contained 684 homes, including 37 homes under construction. See "BUILDERS." According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage facilities, detention facilities and street paving have been completed to serve 693 single-family residential lots located in Summerlyn, Sections 1 through 5, and Anderson Lake, Sections 1 and 2 (approximately 116.14 total acres) in the District as is delineated in the chart that appears below. In addition, approximately 5 acres of land located within the District have been developed for future commercial purposes, on 2.67 acres of which a convenience store has been constructed.

The developer of Anderson Lake located within the District, Liberty DS Hiram Clarke LLC ("Liberty DS") (described under the caption "DEVELOPER"), has completed the development of 183 single-family residential lots that have been subdivided as Anderson Lake, Sections 1 and 2. Liberty DS owns approximately 19.9 acres of currently undeveloped land located within the District that are available for future development, all of which it Liberty DS expects to develop as Anderson Lake, Section 3. Construction of water distribution, wastewater collection, and storm sewer facilities to serve the 111 lots in Anderson Lake, Section 3 is expected to commence by approximately January 31, 2024, and be completed by approximately April 30, 2024.

The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur. The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "DEVELOPER," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2023 Taxpayers."

In addition to the components of the System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "FUTURE DEVELOPMENT."

As of December 1, 2023, the status of lot development and home construction in the District was as follows:

	LOTS				HOMES				
			Under		Under Construction		Completed		
Subdivision	**Developed**	**Acres**	**Development**	**Acres**	**Sold***	**Unsold**	**Sold***	**Unsold**	**Totals**
Summerlyn									
Section 1	155	25.54			0	0	155	0	155
Section 2	131	23.02			0	0	131	0	131
Section 3	40	8.36			0	0	40	0	40
Section 4	148	22.62			0	0	148	0	148
Section 5	36	4.72			0	0	36	0	36
Anderson Lake									
Section 1	93	16.25			1	0	86	1	88
Section 2	90	15.63			21	15	47	3	86
TOTALS	693	116.14			22	15	643	4	684

* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval and inspection. See “BUILDERS.”

DEVELOPER

General

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

Description of the Developer

The developer of Anderson Lake located within the District, Liberty DS Hiram Clarke LLC (“Liberty DS”) (described under the caption “DEVELOPER”), has completed the development of 183 single-family residential lots that have been subdivided as Anderson Lake, Sections 1 and 2. Liberty DS owns approximately 19.9 acres of currently undeveloped land located within the District that are available for future development, all of which Liberty DS expects to develop as Anderson Lake, Section 3. Construction of water distribution, wastewater collection, and storm sewer facilities to serve the 111 lots in Anderson Lake, Section 3 is expected to commence by approximately January 31, 2024, and be completed by approximately April 30, 2024.

BUILDERS

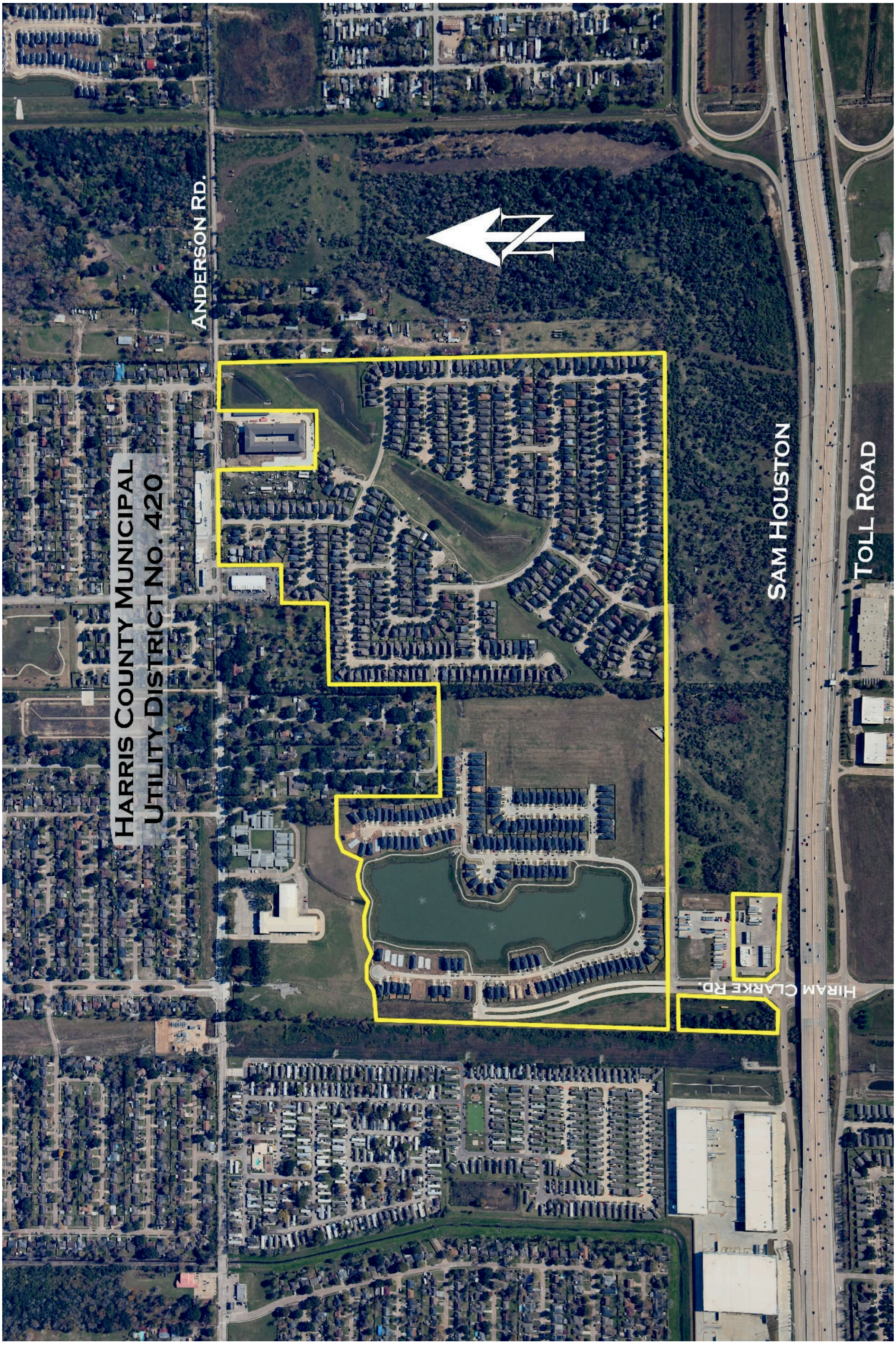
According to Liberty DS, its affiliate Liberty Home Builders and Smith Douglas Homes are currently constructing homes in Anderson Lakes which range in size from approximately 1,454 to 2,719 square feet of living area and in sales price from approximately $287,990 to $428,330.

Liberty Home Builders and Smith Douglas Homes (together, the "Builders") may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

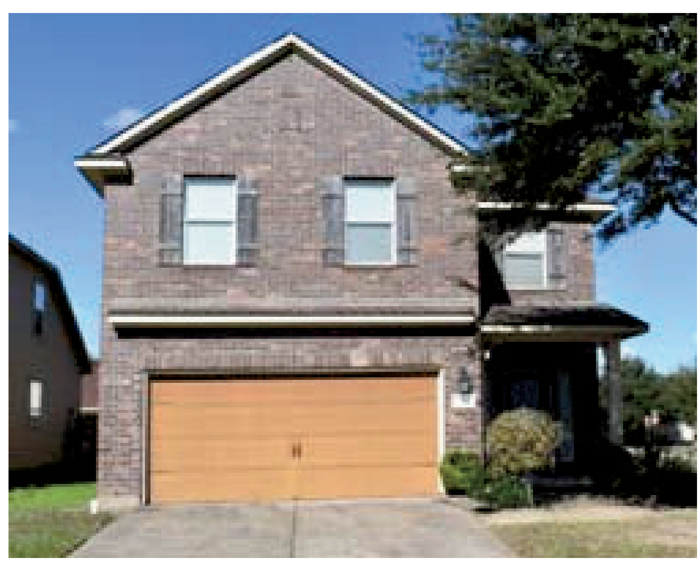
FUTURE DEVELOPMENT

As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," approximately 116.14 acres of the total of approximately 178.29 acres of land located within the District have been developed into 693 single-family residential lots. Liberty DS owns approximately 19.9 acres of currently undeveloped land located within the District that are available for future development, all of which Liberty DS expects to develop as Anderson Lake, Section 3. Construction of water distribution, wastewater collection, and storm sewer facilities to serve the 111 lots in Anderson Lake, Section 3 is expected to commence by approximately January 31, 2024, and be completed by approximately April 30, 2024The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or are otherwise not available for future development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "DEVELOPER" and "TAX DATA - Principal 2023 Taxpayers." Since no party, including Liberty DS, is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the $7,055,000 authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District as described below under the caption "THE SYSTEM." In addition to the components of the System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

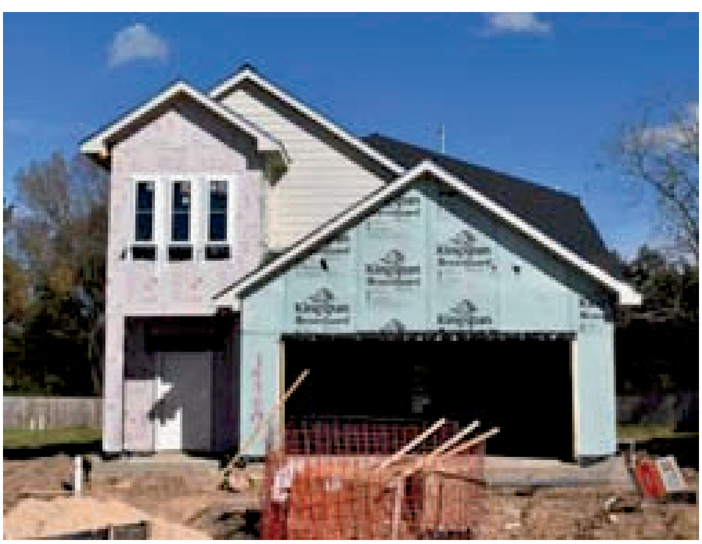
AERIAL PHOTOGRAPH OF THE DISTRICT
(taken December 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken December 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken December 2023)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Year	Outstanding Bonds	The Bonds Principal (Due 9-1)	The Bonds Interest	Total Debt Service Requirements
2024	$493,069		$102,887	$595,956
2025	491,006		202,400	693,406
2026	493,444	$75,000	202,400	770,844
2027	490,006	85,000	197,525	772,531
2028	536,594	45,000	192,000	773,594
2029	531,057	50,000*	189,075	770,132
2030	529,969	55,000*	185,825	770,794
2031	523,344	65,000*	182,250	770,594
2032	526,019	65,000*	178,025	769,044
2033	517,994	80,000*	175,425	773,419
2034	519,544	80,000*	172,225	771,769
2035	515,231	90,000*	169,025	774,256
2036	525,319	85,000*	165,425	775,744
2037	525,606	90,000*	162,025	777,631
2038	419,632	200,000*	158,425	778,057
2039	433,006	200,000*	150,425	783,431
2040	470,344	170,000*	142,425	782,769
2041	355,406	295,000*	135,625	786,031
2042	369,750	300,000	123,825	793,575
2043	383,125	300,000	111,825	794,950
2044	395,531	305,000	99,825	800,356
2045	431,969	285,000	87,244	804,213
2046	441,469	290,000	75,488	806,956
2047		750,000	63,525	813,525
2048		790,000	32,588	822,588
	$10,918,434	$4,750,000	$3,657,732	$19,326,165

Average Annual Requirements (2026-2048) .... $ 784,209
Maximum Annual Requirement (2048) .... $ 822,588

* Represents mandatory sinking fund payments on Term Bonds.

Bonded Indebtedness

2023 Assessed Valuation (As of January 1, 2023) See "TAX DATA" and "TAXING PROCEDURES"	$	157,160,758	(a)
Estimated Valuation at December 1, 2023 See "TAX DATA" and "TAXING PROCEDURES"	$	172,613,447	(b)
Direct Debt:			
Outstanding Bonds	$	7,100,000	
The Bonds		4,750,000	
Total	$	11,850,000	(c)
Estimated Overlapping Debt	$	2,438,747	
Total Direct and Estimated Overlapping Debt	$	14,288,747	
Direct Debt Ratios			
: as a percentage of 2023 Assessed Valuation		7.54	%
: as a percentage of Estimated Valuation at December 1, 2023		6.87	%
Direct and Overlapping Debt Ratios			
: as a percentage of 2023 Assessed Valuation		9.09	%
: as a percentage of Estimated Valuation at December 1, 2023		8.28	%
Debt Service Fund Balance as of November 29, 2023	$	741,001	(d)
General Fund Balance as of November 29, 2023	$	1,312,048	
2023 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.52	
Maintenance Tax		0.51	
Total	$	1.03	(e)
Average Percentage of Total Tax Collections (2013-2022) as of November 30, 2023		99.86	%
Percentage of Tax Collections 2023 Levy as of November 30, 2023		1.16	%

(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"). Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is $202,486, which total is included in the amount of $157,160,758. The Appraisal District has proposed the valuation of such protested properties to be $222,066. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $1,324,862, which total is also included in the amount of $157,160,758. The District is unable to predict the amount of the District's final 2023 Assessed Valuation. Such final 2023 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2023. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of December 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through November 30, 2023. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2023, through November 30, 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. See "TAXING PROCEDURES."

(c) In addition to the components of the System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

(d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service payments that were due for 2023 on the Outstanding Bonds. The District's initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on September 1, 2024.

(e) The District levied a debt service tax in the amount of $0.52 per $100 of Assessed Valuation for 2023, plus a maintenance tax of $0.51 per $100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2023 tax levies of all units of government which levy taxes against the property located within the District, plus the 2023 tax of the District is $2.525621 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is 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

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

	Debt as of	**Estimated Overlapping**	
Taxing Jurisdiction	**December 1, 2023**	**Percent**	**Amount**
Harris County	$1,863,876,319	0.02391%	$445,591
Harris County Department of Education	13,865,000	0.02391%	3,315
Harris County Flood Control District	991,095,000	0.02391%	236,938
Harris County Hospital District	70,970,000	0.02391%	16,967
Port of Houston Authority	426,134,397	0.02391%	101,875
Houston Independent School District	2,077,325,000	0.06678%	1,387,148
Houston Community College	446,665,000	0.05528%	246,913
Total Estimated Overlapping Debt			$ 2,438,747
The District (the Bonds and the Outstanding Bonds)			$ 11,850,000
Total Direct & Estimated Overlapping Debt			$ 14,288,747

Debt Ratios

	% of 2023 Assessed Valuation	% of Estimated Valuation at December 1, 2023
Direct Debt	7.54%	6.87%
Direct and Estimated Overlapping Debt	9.09%	8.28%

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of $0.52 per $100 of Assessed Valuation in 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 November 8, 2005, the District voters authorized the levy of such a maintenance tax in an amount not to exceed $1.50 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 $0.51 per $100 of Assessed Valuation for 2023.

Historical Values and Tax Collection History

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

				% Collections	
Tax Year	Assessed Valuation	Tax Rate(a)	Total Levy	Current & Prior Years (b)	Year Ending 9/30
2013	$47,555,707	$1.47	$699,069	99.91%	2014
2014	54,678,205	1.40	765,495	99.91%	2015
2015	60,567,030	1.29	781,315	99.95%	2016
2016	66,387,590	1.25	829,945	99.96%	2017
2017	72,433,099	1.25	905,414	99.90%	2018
2018	75,850,590	1.21	917,792	99.98%	2019
2019	84,135,625	1.19	1,001,214	99.98%	2020
2020	89,112,532	1.17	1,042,617	99.94%	2021
2021	97,020,695	1.17	1,135,142	99.70%	2022
2022	123,592,781	1.17	1,446,036	99.37%	2023
2023	157,160,758(c)	1.03(d)	1,618,756	1.16% (e)	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 November 30, 2023. 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) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners

thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such protested properties is $202,486, which total is included in the amount of $157,160,758. The Appraisal District has proposed the valuation of such protested properties to be $222,066. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is $1,324,862, which total is also included in the amount of $157,160,758. The District is unable to predict the amount of the District's final 2023 Assessed Valuation. Such final 2023 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2023.

(d) The District levied a debt service tax in the amount of $0.52 per $100 of Assessed Valuation, plus a maintenance tax of $0.51 per $100 of Assessed Valuation for 2023.

(e) As of November 30, 2023. In process of collection.

Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service	$0.52	$0.61	$0.61	$0.61	$0.65
Maintenance & Operations	0.51	0.56	0.56	0.56	0.54
Total	$1.03	$1.17	$1.17	$1.17	$1.19

Analysis of Tax Base

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

Type of Property	2023 Assessed Value	%	2022 Assessed Value	%	2021 Assessed Value	%
Land	$32,815,662	20.88%	$21,392,944	17.31%	$16,982,472	17.50%
Improvements	139,508,097	88.77%	112,308,289	90.87%	82,202,607	84.73%
Personal Property	1,448,981	0.92%	1,023,596	0.83%	799,700	0.82%
Uncertified	1,527,348	0.97%	0	0.00%	0	0.00%
Exemptions	-18,139,330	-11.54%	-11,132,048	-9.01%	-2,964,084	-3.06%
Total	$157,160,758	100.00%	$123,592,781	100.00%	$97,020,695	100.00%

Type of Property	2020 Assessed Value	%	2019 Assessed Value	%
Land	$14,608,060	16.39%	$13,830,122	16.44%
Improvements	77,995,045	87.52%	75,632,953	89.89%
Personal Property	716,085	0.80%	714,489	0.85%
Exemptions	-4,206,658	-4.72%	-6,041,939	-7.18%
Total	$89,112,532	100.00%	$84,135,625	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 property ownership reflected on the District's 2023 tax roll.

Taxpayer	Type of Property	2023 Tax Roll	% of 2023 Tax Roll
Liberty Home Builders LLC	Land and Improvements	$3,927,892	2.52%
Akes Investments, Inc.	Land and Improvements	2,400,000	1.54%
SDH Houston LLC	Land and Improvements	1,116,120	0.72%
CW Audubon LLC	Land and Improvements	904,200	0.58%
Sprint Industgrial Service	Land and Improvements	901,242	0.58%
Doan Capital LLC	Land and Improvements	762,330	0.49%
Yau Lin Chang Trust	Land and Improvements	673,711	0.43%
Antonia Luisa Reyes Trust	Land and Improvements	572,494	0.37%
Centerpoint Energy	Utilities	568,140	0.37%
Home SFR Borrower LLC	Land and Improvements	493,638	0.32%
		$12,319,767	7.92%

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2023 Assessed Valuation or the Estimated Valuation at December 1, 2023. The calculations assume collection of 95% of taxes levied, no use of District funds on hand other than tax collections, and the sale of no bonds by the District except the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2026-2048)	$784,209
Tax Rate of $0.53 on the 2023 Assessed Valuation ($157,160,758) produces	$791,304
Tax Rate of $0.48 on the Estimated Valuation at December 1, 2023 ($172,613,447) produces	$787,117
Maximum Annual Debt Service Requirement (2048)	$822,588
Tax Rate of $0.56 on the 2023 Assessed Valuation ($157,160,758) produces	$836,095
Tax Rate of $0.51 on the Estimated Valuation at December 1, 2023 ($172,613,447) produces	$836,312

The District levied a debt service tax in the amount of $0.52 per $100 of Assessed Valuation and a maintenance tax of $0.51 per $100 of Assessed Valuation for 2023. As the above table indicates, the 2023 debt service tax rate will be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the Estimated Valuation at December 1, 2023, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," the District had collected an average of 99.86% of its 2013 through 2022 tax levies as of November 30, 2023. Moreover, the District's Debt Service Fund balance was $741,001 as of November 29, 2023. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Utility System Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - FINANCIAL REPORT"). Therefore, 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 has 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 "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." In addition to the components of the System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2023 taxes per $100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction	2023 Tax Rate Per $100 of A.V.
Harris County	0.350070
Harris Department of Education	0.004800
Harris County Flood Control District	0.031050
Harris County Hospital District	0.143430
Port of Houston Authority	0.005740
Houston Independent School District	0.868300
Houston Community College	0.092231
The District (i)	1.030000
	$2.525621

(i) The District has levied a debt service tax rate of $0.52 per $100 of Assessed Valuation and a maintenance tax rate of $0.51 per $100 of Assessed Valuation for 2023.

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

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-wide Appraisal District

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

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between $5,000 and $12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount to be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not granted a general residential homestead exemption for 2023. See “TAX DATA - Exemptions.”

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

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

Tax Payment Installments After Disaster

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the Utility System must be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The TCEQ exercises continuing supervisory authority over the District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, and, in some instances, the TCEQ and the U.S. Army Corps of Engineers. Harris County and the City also exercise regulatory jurisdiction over the District's System. The regulations and requirements of the entities exercising regulatory jurisdiction over the Utility System are subject to further development and revisions, which, in turn, could require additional expenditures by the District in order to achieve compliance. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 178.29 acres is 816 with a total estimated population of 2,856 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

As is described below, the System presently serves the single-family residential lots located in the District that are enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District has financed certain of its costs of construction or acquisition of (a) detention ponds, clearing and grubbing, an associated off-site outfall drainage trunk line (including gas line relocation) and a storm water pump to serve the Summerlyn development; (b) Lift Station No. 1 and an off-site wastewater force main to serve Summerlyn; (c) land costs for Lift Station No. 1 and detention ponds to serve Summerlyn; and (d) water distribution, wastewater collection and storm drainage facilities, a storm water pump and a storm water pollution prevention plan to serve Summerlyn, Sections 1 through 5 with portions of the sale of the Prior Bonds. The District is financing the cost of acquisition and construction of water distribution, wastewater collection and storm drainage facilities and to serve Anderson Lake, Section 1, and other facilities, with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." The District expects to finance the cost of acquisition of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "FUTURE DEVELOPMENT."

Water Supply

Water supply for the District is provided by the City of Houston (the "City") pursuant to the "Treated Surface Water Supply Contract" dated May 18, 2005, as assigned to the District on November 28, 2005. The District purchases water wholesale and distributes it to customers within the District. In accordance with the agreement, the City provides the District up to 830,000 gallons-per-day of capacity, which, according to the District's Engineer, is sufficient to serve 960 ESFCs.

Wastewater Treatment

Wastewater treatment for the District is provided by the City pursuant to the "Sanitary Sewer Service Agreement" dated May 25, 2005, as assigned to the District on November 28, 2005. In accordance with the agreement and a letter dated October 10, 2006, the City provides the District 819 ESFCs of capacity in the Almeda-Sims Regional Wastewater Treatment Plant.

Drainage Improvements

Storm water from the District generally drains through underground lines to detention ponds, and then to an outfall drainage trunk line along Anderson Road, which eventually outfalls to a Harris County Flood Control District ditch and then into Sims Bayou.

100-Year Flood Plain

According to the District's Engineer, no portion of the District is located within the designated 100-year flood plain.

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

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

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

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

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be $822,588 (2048) and the average annual debt service requirements will be $784,209 (2026 through 2048, inclusive). The 2023 Assessed Valuation of property located within the District supplied by the Appraisal District is $157,160,758. Assuming no increase to nor decrease from the 2023 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of $0.56 and $0.53 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, respectively, on the Bonds and the Outstanding Bonds. The Estimated Valuation at December 1, 2023 of property located within the District supplied by the Appraisal District is $172,613,447. Assuming no increase to nor decrease from the Estimated Valuation at December 1, 2023, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of $0.51 and $0.48 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, respectively, on the Bonds and the Outstanding Bonds. See "TAX DATA - Tax Rate Calculations." The District has levied a debt service tax of $0.52 per $100 of Assessed Valuation, and a maintenance tax of $0.51 per $100 of Assessed Valuation for 2023. Therefore, the 2023 debt service tax rate will be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the Estimated Valuation at December 1, 2023, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District. See "TAXING PROCEDURES." In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," the District had collected an average of 99.86% of its 2013 through 2022 tax levies as of November 30, 2023. Moreover, the District's Debt Service Fund balance was $741,001 as of November 29, 2023. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Utility System Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - FINANCIAL REPORT"). Therefore, 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 has 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 System that the District financed with the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2023 tax levies of all units of government which levy taxes against the property located within the District, plus the 2023 tax of the District is $2.525621 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is 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. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Increases in the District's tax rate to substantially higher levels than the total rate of $1.03 per $100 of Assessed Valuation that the District has levied for 2023 may have an adverse impact upon future development of the District, the construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes" and "TAXING PROCEDURES."

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

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy

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

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

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining $7,055,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, the $20,445,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such $7,055,000 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 that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and

"THE SYSTEM"), the District expects to finance the acquisition of additional components of the System with portions of the proceeds of the sale of bonds, if any, to be issued in the future.

The District's Engineer currently estimates that the aforementioned $7,055,000 authorized bonds which remain unissued will be adequate to finance the acquisition of the remaining components of the System that will not have been financed with the proceeds of the Prior Bonds and the Bonds. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "DEVELOPMENT AND HOME CONSTRUCTION" and "THE SYSTEM." 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, and the District can give no assurance that the building programs which are planned by the Builders or any future home builder(s) will be continued or completed. The respective competitive positions of the Developer and the Builders and any other developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section. Such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a "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, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

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

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 from Hurricane Harvey and there was no interruption of water or sewer service. Neither the District's Operator nor Engineer are aware of any homes within the District that experienced structural flooding or other significant damage as a result of Hurricane Harvey.

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

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

Changes in Tax Legislation

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

Potential Effects of Oil Price Volatility the Houston Area

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

LEGAL MATTERS

Legal Opinions

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

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

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

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

No-Litigation Certificate

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

TAX MATTERS

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds and should be considered in connection with the discussion in this portion of the Official Statement.) The foregoing discussion assumes, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2024.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

NO MATERIAL ADVERSE CHANGE

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

OFFICIAL STATEMENT

General

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

The District’s financial statements for the fiscal year ended April 30, 2023, were audited by McGrath & Co., PLLC, and have been included herein as “APPENDIX B.”

Experts

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

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

Certification as to Official Statement

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

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, 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 "DISTRICT DEBT" and "TAX DATA" and in "APPENDIX B" (the Audit). 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 Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7)

modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the past five years, the District has complied in all material respects with all prior 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. 420 as of the date shown on the first page hereof.

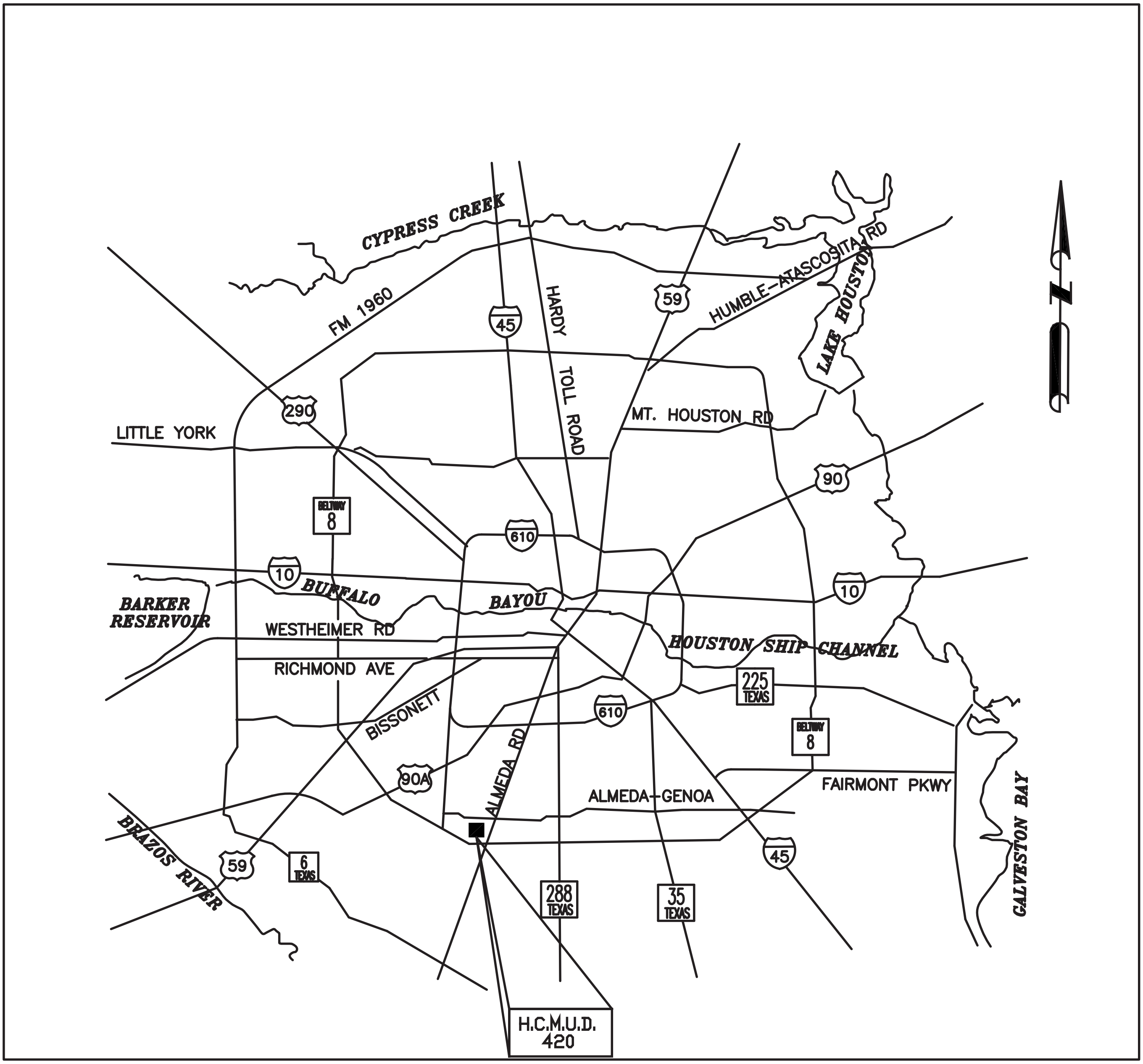
/s/ Larry P. Hope
President, Board of Directors
Harris County Municipal
Utility District No. 420

ATTEST:

/s/ Steven R. Spillette
Secretary, Board of Directors
Harris County Municipal
Utility District No. 420

APPENDIX A

LOCATION MAP



AREA MAP

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 420

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

APRIL 30, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 420

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2023

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 420
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. 420 (the "District"), as of and for the year ended April 30, 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 Harris County Municipal Utility District No. 420, as of April 30, 2023, and the respective changes in financial position thereof 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PLLC

Houston, Texas
August 23, 2023

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 420 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at April 30, 2023, was negative $3,272,414. This amount is negative because the District incurs debt to construct certain drainage facilities which it conveys to Harris County. A comparative summary of the District's overall financial position, as of April 30, 2023 and 2022, is as follows:

	2023	2022
Current and other assets	$ 3,293,250	$ 3,004,781
Capital assets	6,769,156	6,096,745
Total assets	10,062,406	9,101,526
Total deferred outflows of resources	37,071	39,923
Current liabilities	526,498	573,425
Long-term liabilities	12,845,393	10,758,833
Total liabilities	13,371,891	11,332,258
Net position		
Net investment in capital assets	(1,384,710)	(1,303,826)
Restricted	1,130,671	873,004
Unrestricted	(3,018,375)	(1,759,987)
Total net position	$ (3,272,414)	$ (2,190,809)

The total net position of the District decreased during the current fiscal year by $1,081,605. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2023	2022
Revenues		
Water and sewer service	$ 522,031	$ 471,268
Property taxes, penalties and interest	1,469,962	1,157,740
Other	110,189	104,268
Total revenues	2,102,182	1,733,276
Expenses		
Current service operations	1,260,264	1,156,309
Debt interest and fees	314,907	318,392
Depreciation	174,551	155,730
Total expenses	1,749,722	1,630,431
Change in net position before other item	352,460	102,845
Other item		
Transfers to other governments	(1,434,065)	(353,209)
Change in net position	(1,081,605)	(250,364)
Net position, beginning of year	(2,190,809)	(1,940,445)
Net position, end of year	$ (3,272,414)	$ (2,190,809)

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2023, were $2,978,176, which consists of $1,755,801 in the General Fund, $1,119,754 in the Debt Service Fund, and $102,621 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	$ 2,044,843	$ 2,013,426
Total liabilities	$ 274,312	$ 329,823
Total deferred inflows	14,730	13,837
Total fund balance	1,755,801	1,669,766
Total liabilities, deferred inflows and fund balance	$ 2,044,843	$ 2,013,426

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	$ 1,314,492	$ 1,125,981
Total expenditures	(1,228,457)	(1,132,986)
Revenues over/(under) expenditures	$ 86,035	$ (7,005)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and the provision of water and sewer services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increase from prior year because assessed values increased from prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	$ 1,144,905	$ 886,475
Total liabilities	$ 1,291	$ 2,297
Total deferred inflows	23,860	22,209
Total fund balance	1,119,754	861,969
Total liabilities, deferred inflows and fund balance	$ 1,144,905	$ 886,475

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	$ 782,130	$ 593,449
Total expenditures	(524,345)	(522,944)
Revenues over expenditures	$ 257,785	$ 70,505

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2023 and 2022 is as follows:

	2023	2022
Total assets	$ 103,502	$ 104,880
Total liabilities	$ 881	$ 208
Total fund balance	102,621	104,672
Total liabilities and fund balance	$ 103,502	$ 104,880

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	$ 3,017	$ 36
Total expenditures	(5,068)	(1,460)
Revenues under expenditures	$ (2,051)	$ (1,424)

The District's has not had any significant capital asset activity in the last two years.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $36,284 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at April 30, 2023 and 2022 are summarized as follows:

	2023	2022
Capital assets not being depreciated		
Land and improvements	$ 906,182	$ 906,182
Capital assets being depreciated		
Infrastructure	7,617,884	6,770,922
Less accumulated depreciation	(1,754,910)	(1,580,359)
Depreciable capital assets, net	5,862,974	5,190,563
Capital assets, net	$ 6,769,156	$ 6,096,745

Capital asset additions during the current year included water and sewer facilities to serve Anderson Lake Section 2.

Harris County assumes responsibility for all storm sewer systems constructed in public streets. Consequently, these projects are not recorded as capital assets on the District's financial statements but are recorded as transfers to other governments upon completion of construction. For the year ended April 30, 2023, capital assets in the amount of $1,434,065 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of April 30, 2023, the District owes approximately $5,828,886 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At April 30, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2010	$ 1,080,000	$ 1,100,000
2015	1,475,000	1,500,000
2015 Refunding	1,895,000	2,015,000
2018	2,850,000	2,875,000
	$ 7,300,000	$ 7,490,000

At April 30, 2023, the District had $11,805,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $20,445,000 for refunding purposes.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2023 Actual	2024 Budget
Total revenues	$ 1,314,492	$ 1,278,500
Total expenditures	(1,228,457)	(1,267,550)
Revenues over expenditures	86,035	10,950
Beginning fund balance	1,669,766	1,755,801
Ending fund balance	$ 1,755,801	$ 1,766,751

Property Taxes

The District's property tax base increased approximately $36,469,600 for the 2023 tax year from $123,738,820 to $160,208,446, based on the preliminary values. This increase was primarily due to new construction in the District and increased property values.

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Basic Financial Statements

Harris County Municipal Utility District No. 420
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ -	$ 53,288	$ 441	$ 53,729	$ -	$ 53,729
Investments	1,923,742	1,068,077	103,061	3,094,880		3,094,880
Taxes receivable	14,730	23,860		38,590		38,590
Customer service receivables	67,222			67,222		67,222
Internal balances	4,466	(4,466)				
Prepaid items	3,093			3,093		3,093
Other receivables	29,504			29,504		29,504
Accrued interest receivable	2,086	4,146		6,232		6,232
Capital assets not being depreciated					906,182	906,182
Capital assets, net					5,862,974	5,862,974
Total Assets	$ 2,044,843	$ 1,144,905	$ 103,502	$ 3,293,250	6,769,156	10,062,406
Deferred Outflows of Resources						
Deferred difference on refunding					37,071	37,071
Liabilities						
Accounts payable	$ 124,170	$ -	$ 881	$ 125,051		125,051
Cash overdraft	82,834			82,834		82,834
Other payables	899	1,291		2,190		2,190
Customer deposits	65,311			65,311		65,311
Unearned tap revenue	1,098			1,098		1,098
Accrued interest payable					50,014	50,014
Due to developers					5,828,886	5,828,886
Long-term debt						
Due within one year					200,000	200,000
Due after one year					7,016,507	7,016,507
Total Liabilities	274,312	1,291	881	276,484	13,095,407	13,371,891
Deferred Inflows of Resources						
Deferred property taxes	14,730	23,860		38,590	(38,590)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	3,093			3,093	(3,093)	
Restricted		1,119,754	102,621	1,222,375	(1,222,375)	
Unassigned	1,752,708			1,752,708	(1,752,708)	
Total Fund Balances	1,755,801	1,119,754	102,621	2,978,176	(2,978,176)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,044,843	$ 1,144,905	$ 103,502	$ 3,293,250		
Net Position						
Net investment in capital assets					(1,384,710)	(1,384,710)
Restricted for debt service					1,130,671	1,130,671
Unrestricted					(3,018,375)	(3,018,375)
Total Net Position					$ (3,272,414)	$ (3,272,414)

See notes to basic financial statements.

Harris County Municipal Utility District No. 420
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 260,171	$ -	$ -	$ 260,171	$ -	$ 260,171
Sewer service	261,860			261,860		261,860
Property taxes	691,470	752,637		1,444,107	1,789	1,445,896
Penalties and interest	14,444	8,868		23,312	754	24,066
Tap connection and inspection	17,559			17,559		17,559
Miscellaneous	26,182			26,182		26,182
Investment earnings	42,806	20,625	3,017	66,448		66,448
Total Revenues	1,314,492	782,130	3,017	2,099,639	2,543	2,102,182
Expenditures/Expenses						
Current service operations						
Purchased services	544,380			544,380		544,380
Professional fees	114,499		5,068	119,567		119,567
Contracted services	258,945	24,458		283,403		283,403
Repairs and maintenance	237,455			237,455		237,455
Utilities	16,765			16,765		16,765
Administrative	56,270	2,281		58,551		58,551
Other	143			143		143
Debt service						
Principal		190,000		190,000	(190,000)	
Interest and fees		307,606		307,606	7,301	314,907
Depreciation					174,551	174,551
Total Expenditures/Expenses	1,228,457	524,345	5,068	1,757,870	(8,148)	1,749,722
Revenues Over/(Under) Expenditures/Expenses	86,035	257,785	(2,051)	341,769	10,691	352,460
Other Item						
Transfers to other governments					(1,434,065)	(1,434,065)
Net change in fund balances	86,035	257,785	(2,051)	341,769	(341,769)	
Change in net position					(1,081,605)	(1,081,605)
Fund Balance/Net Position						
Beginning of the year	1,669,766	861,969	104,672	2,636,407	(4,827,216)	(2,190,809)
End of the year	$ 1,755,801	$ 1,119,754	$ 102,621	$ 2,978,176	$ (6,250,590)	$ (3,272,414)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 420 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated August 4, 2005, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 31, 2005 and the first bonds were issued on January 9, 2008.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities.*

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2023, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water and wastewater facilities, are reported in the government-wide financial statements. Infrastructure is depreciated using the straight-line method over useful lives ranging from 20 to 45 years.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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 an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer and the value of capital assets transferred to Harris County. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		$ 2,978,176
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 8,524,066	
Less accumulated depreciation	(1,754,910)	
Change due to capital assets		6,769,156
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		37,071
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(5,828,886)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:		
Bonds payable, net	(7,216,507)	
Interest payable on bonds	(50,014)	
Change due to long-term debt		(7,266,521)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes receivable	29,820	
Penalty and interest receivable	8,770	
Change due to property taxes		38,590
Total net position - governmental activities		$ (3,272,414)

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 341,769
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest.		2,543
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.		
Principal payments	$ 190,000	
Interest expense accrual	(7,301)	
		182,699
In the *Statement of Activities,* the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.		(174,551)
The District conveys storm sewer facilities to Harris County upon completion of construction. These amounts are recorded as transfers to other governments in the *Statement of Activities.*		(1,434,065)
Change in net position of governmental activities		$ (1,081,605)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Note 3 – Deposits and Investments (continued)

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of April 30, 2023, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 230,000			
	Debt Service	240,000			
		470,000	15%	N/A	N/A
TexSTAR	General	1,693,742			
	Debt Service	828,077			
	Capital Projects	103,061			
		2,624,880	85%	AAAm	17 days
Total		$ 3,094,880	100%		

The District's investments in certificates of deposit are reported at cost.

Note 3 – Deposits and Investments (continued)

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 4,466	Maintenance tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 906,182	$ -	$ 906,182
Capital assets being depreciated			
Infrastructure	6,770,922	846,962	7,617,884
Less accumulated depreciation	(1,580,359)	(174,551)	(1,754,910)
	5,190,563	672,411	5,862,974
Capital assets, net	$ 6,096,745	$ 672,411	$ 6,769,156

Depreciation expense for the current year was $174,551.

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developer, beginning of year	$ 3,547,859
Developer funded construciton	2,281,027
Due to developer, end of year	$ 5,828,886

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 7,300,000
Unamortized discounts	(83,493)
	$ 7,216,507
Due within one year	$ 200,000

Note 7 – Long-Term Debt (continued)

The District's bonds payable at April 30, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	$ 1,080,000	$ 1,250,000	4.50% - 6.00%	September 1, 2012/2037	September 1, March 1	September 1, 2017
2015	1,475,000	1,655,000	2.00% - 4.00%	September 1, 2016/2040	September 1, March 1	September 1, 2022
2015 Refunding	1,895,000	2,700,000	2.00% - 4.00%	September 1, 2016/2035	September 1, March 1	September 1, 2022
2018	2,850,000	2,920,000	3.35% - 5.00%	September 1, 2020/2046	September 1, March 1	September 1, 2023
	$ 7,300,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At April 30, 2023, the District had authorized but unissued bonds in the amount of $11,805,000 for water, sewer and drainage facilities and $20,445,000 for refunding purposes.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	$ 7,490,000
Bonds retired	(190,000)
Bonds payable, end of year	$ 7,300,000

Note 7 – Long-Term Debt (continued)

As of April 30, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	$ 200,000	$ 296,575	$ 496,575
2025	200,000	289,538	489,538
2026	205,000	282,225	487,225
2027	215,000	274,225	489,225
2028	220,000	265,800	485,800
2029	275,000	256,325	531,325
2030	280,000	245,513	525,513
2031	290,000	234,157	524,157
2032	295,000	222,182	517,182
2033	310,000	209,507	519,507
2034	315,000	196,268	511,268
2035	330,000	182,388	512,388
2036	340,000	167,775	507,775
2037	365,000	150,463	515,463
2038	385,000	130,119	515,119
2039	300,000	113,819	413,819
2040	325,000	101,676	426,676
2041	375,000	87,875	462,875
2042	275,000	75,078	350,078
2043	300,000	63,938	363,938
2044	325,000	51,828	376,828
2045	350,000	38,750	388,750
2046	400,000	24,219	424,219
2047	425,000	8,234	433,234
	$ 7,300,000	$ 3,968,477	$ 11,268,477

Note 8 – Property Taxes

On November 8, 2005, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Harris Central 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 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of $1.17 per $100 of assessed value, of which $0.56 was allocated to maintenance and operations and $0.61 was allocated to debt service. The resulting tax levy was $1,447,744 on the adjusted taxable value of $123,738,820.

Property taxes receivable, at April 30, 2023, consisted of the following:

Current year taxes receivable	$ 20,776
Prior years taxes receivable	9,044
	29,820
Penalty and interest receivable	8,770
Property taxes receivable	$ 38,590

Note 9 – Transfers to Other Governments

Harris County assumes responsibility for the maintenance of storm sewer systems constructed in public streets. Accordingly, these facilities are considered to be capital assets of Harris County, not the District. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended April 30, 2023, the District recorded transfers to other governments in the amount of $1,434,065 for storm sewer systems constructed by a developer within the District.

Note 10 – Contract with City of Houston for Wastewater Treatment Facilities

On May 25, 2005, the District entered into an agreement (the "Agreement") with the City of Houston (the "City") whereby the City agrees to provide regional wastewater collection, treatment and disposal facilities necessary to serve customers in the District's service area. Under the terms of the Agreement, the District is required to pay a monthly fee as calculated by the total net quantity of metered water delivered during the month (in thousands of gallons) times the rate of $6.60 per thousand gallons through March 2022. The rate was increased to $7.37 per thousand gallons as of April 1, 2023. This rate may be amended from time-to-time by the City based on cost of service for this rate class. For the year ended April 30, 2023, the District has recorded $311,309 in expenditures pursuant to this agreement.

Note 11 – Contract with City of Houston for Water Supply

On May 18, 2005, the District entered into an agreement (the "Agreement") with the City of Houston (the "City") whereby the City agrees to provide water supply necessary to serve customers in the District's service area. Under the terms of the Agreement, the District is required to pay a monthly fee as calculated by the total net quantity of metered water delivered during the month (in thousands of gallons) times the rate of $3.91 per thousand gallons through March 2022. The rate was increased to $4.29 per thousand gallons as of April 1, 2023. This rate may be amended annually by the City based on cost of service for this rate class. For the year ended April 30, 2023, the District recorded $233,071 in expenditures pursuant to this agreement.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

Harris County Municipal Utility District No. 420
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended April 30, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water and sewer service	$ 500,550	$ 522,031	$ 21,481
Property taxes	532,101	691,470	159,369
Penalties and interest		14,444	14,444
Tap connection and inspection	62,500	17,559	(44,941)
Miscellaneous		26,182	26,182
Investment earnings	3,000	42,806	39,806
Total Revenues	1,098,151	1,314,492	216,341
Expenditures			
Current service operations			
Purchased services	390,000	544,380	(154,380)
Professional fees	95,000	114,499	(19,499)
Contracted services	278,800	258,945	19,855
Repairs and maintenance	214,000	237,455	(23,455)
Utilities	18,000	16,765	1,235
Administrative	48,100	56,270	(8,170)
Other	4,500	143	4,357
Total Expenditures	1,048,400	1,228,457	(180,057)
Revenues Over Expenditures	49,751	86,035	36,284
Fund Balance			
Beginning of the year	1,669,766	1,669,766	
End of the year	$ 1,719,517	$ 1,755,801	$ 36,284

Budgets and Budgetary Accounting

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. There were no amendments to the budget during the year.

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Texas Supplementary Information

1. Services provided by the District During the Fiscal Year:

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

[X] 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 1" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 30.71	5,000	N	$ 1.60	5,001	to	10,000
				$ 2.07	10,001	to	20,000
				$ 2.59	20,001	to	50,000
				$ 3.10	50,001	to	75,000
				$ 3.62	75,001	to	no limit
Wastewater:	$ 38.85	- 0 -	Y				

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 38.71 Wastewater $ 38.85

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	572	572	x 1.0	572
1"	44	44	x 2.5	110
1.5"	5	5	x 5.0	25
2"	3	3	x 8.0	24
3"	2	1	x 15.0	15
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	626	625		746
Total Wastewater	618	617	x 1.0	617

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons purchased from City of Houston:	56,662,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	54,302,000	95.83%

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

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

If yes, Date of the most recent commission Order: ____________

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

If yes, Date of the most recent commission Order: ____________

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which the District is located: ____________

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? ____________

See accompanying auditor's report.

Harris County Municipal Utility District No. 420
TSI-2 General Fund Expenditures
For the Year Ended April 30, 2023

Purchased services	$ 544,380
Professional fees	
Legal	75,692
Audit	16,000
Engineering	22,807
	114,499
Contracted services	
Bookkeeping	19,600
Operator	42,994
Tap connection and inspection	25,026
Garbage collection	96,945
Security service	74,380
	258,945
Repairs and maintenance	237,455
Utilities	16,765
Administrative	
Directors fees	10,945
Printing and office supplies	27,391
Insurance	9,156
Other administrative	8,778
	56,270
Other	143
Total expenditures	$ 1,228,457

See accompanying auditor's report.

Harris County Municipal Utility District No. 420
TSI-3. Investments
April 30, 2023

Funds	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General Fund				
TexSTAR	Variable	N/A	$ 1,693,742	$ -
Certificate of deposit	4.30%	02/12/24	230,000	2,086
			1,923,742	2,086
Debt Service Fund				
TexSTAR	Variable	N/A	828,077	
Certificate of deposit	3.25%	10/18/23	240,000	4,146
			1,068,077	4,146
Capital Projects Fund				
TexSTAR	Variable	N/A	103,061	
Total - All Funds			$ 3,094,880	$ 6,232

See accompanying auditor's report.

Harris County Municipal Utility District No. 420
TSI-4. Taxes Levied and Receivable
April 30, 2023

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 13,837	$ 14,193	$ 28,030
Adjustments	(528)	(573)	(1,101)
Adjusted Receivable	13,309	13,620	26,929
2022 Original Tax Levy	650,325	708,389	1,358,714
Adjustments	42,613	46,417	89,030
Adjusted Tax Levy	692,938	754,806	1,447,744
Total to be accounted for	706,247	768,426	1,474,673
Tax collections:			
Current year	682,993	743,974	1,426,967
Prior years	8,524	9,362	17,886
Total Collections	691,517	753,336	1,444,853
Taxes Receivable, End of Year	$ 14,730	$ 15,090	$ 29,820
Taxes Receivable, By Years			
2022	$ 9,944	$ 10,832	$ 20,776
2021	1,554	1,694	3,248
2020	297	323	620
2019 and prior	2,935	2,241	5,176
Taxes Receivable, End of Year	$ 14,730	$ 15,090	$ 29,820

	2022	2021	2020	2019
Property Valuations:				
Land	$ 21,392,944	$ 16,982,472	$ 14,608,060	$ 13,830,122
Improvements	112,308,289	82,202,607	77,995,045	75,632,953
Personal Property	1,332,704	944,960	899,341	815,631
Exemptions	(11,295,117)	(3,115,463)	(4,377,914)	(6,131,081)
Total Property Valuations	$ 123,738,820	$ 97,014,576	$ 89,124,532	$ 84,147,625
Tax Rates per $100 Valuation:				
Maintenance tax rates*	$ 0.56	$ 0.56	$ 0.56	$ 0.54
Debt service tax rates	0.61	0.61	0.61	0.65
	$ 1.17	$ 1.17	$ 1.17	$ 1.19
Adjusted Tax Levy:	$ 1,447,744	$ 1,135,071	$ 1,042,757	$ 1,001,357
Percentage of Taxes Collected to Taxes Levied **	98.56%	99.71%	99.94%	99.98%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 8, 2005
** Calculated as taxes collected for a tax year divided by taxes levied for that tax year
See accompanying auditor's report.

Harris County Municipal Utility District No. 420
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	$ 25,000	$ 63,131	$ 88,131
2025	25,000	61,819	86,819
2026	25,000	60,506	85,506
2027	30,000	59,025	89,025
2028	30,000	57,375	87,375
2029	30,000	55,725	85,725
2030	35,000	53,850	88,850
2031	40,000	51,600	91,600
2032	45,000	49,050	94,050
2033	50,000	46,200	96,200
2034	55,000	43,050	98,050
2035	65,000	39,450	104,450
2036	75,000	35,250	110,250
2037	265,000	25,050	290,050
2038	285,000	8,550	293,550
	$ 1,080,000	$ 709,631	$ 1,789,631

See accompanying auditor's report

Harris County Municipal Utility District No. 420
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	$ 25,000	$ 55,838	$ 80,838
2025	25,000	55,113	80,113
2026	25,000	54,350	79,350
2027	25,000	53,556	78,556
2028	25,000	52,725	77,725
2029	50,000	51,425	101,425
2030	50,000	49,625	99,625
2031	50,000	47,775	97,775
2032	50,000	45,913	95,913
2033	50,000	44,038	94,038
2034	50,000	42,131	92,131
2035	50,000	40,194	90,194
2036	50,000	38,256	88,256
2037	50,000	36,319	86,319
2038	50,000	34,381	84,381
2039	250,000	28,569	278,569
2040	275,000	18,363	293,363
2041	325,000	6,500	331,500
	$ 1,475,000	$ 755,071	$ 2,230,071

See accompanying auditor's report

Harris County Municipal Utility District No. 420
TSI-5. Long-Term Debt Service Requirements
Series 2015 Refunding--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	$ 125,000	$ 68,150	$ 193,150
2025	125,000	64,400	189,400
2026	130,000	60,413	190,413
2027	135,000	55,938	190,938
2028	140,000	51,038	191,038
2029	145,000	45,781	190,781
2030	145,000	40,344	185,344
2031	150,000	34,813	184,813
2032	150,000	29,000	179,000
2033	160,000	22,800	182,800
2034	160,000	16,400	176,400
2035	165,000	9,900	174,900
2036	165,000	3,300	168,300
	$ 1,895,000	$ 502,277	$ 2,397,277

See accompanying auditor's report.

Harris County Municipal Utility District No. 420
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	$ 25,000	$ 109,456	$ 134,456
2025	25,000	108,206	133,206
2026	25,000	106,956	131,956
2027	25,000	105,706	130,706
2028	25,000	104,662	129,662
2029	50,000	103,394	153,394
2030	50,000	101,694	151,694
2031	50,000	99,969	149,969
2032	50,000	98,219	148,219
2033	50,000	96,469	146,469
2034	50,000	94,687	144,687
2035	50,000	92,844	142,844
2036	50,000	90,969	140,969
2037	50,000	89,094	139,094
2038	50,000	87,188	137,188
2039	50,000	85,250	135,250
2040	50,000	83,313	133,313
2041	50,000	81,375	131,375
2042	275,000	75,078	350,078
2043	300,000	63,938	363,938
2044	325,000	51,828	376,828
2045	350,000	38,750	388,750
2046	400,000	24,219	424,219
2047	425,000	8,234	433,234
	$ 2,850,000	$ 2,001,498	$ 4,851,498

See accompanying auditor's report.

Harris County Municipal Utility District No. 420
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2023

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2024	$ 200,000	$ 296,575	$ 496,575
2025	200,000	289,538	489,538
2026	205,000	282,225	487,225
2027	215,000	274,225	489,225
2028	220,000	265,800	485,800
2029	275,000	256,325	531,325
2030	280,000	245,513	525,513
2031	290,000	234,157	524,157
2032	295,000	222,182	517,182
2033	310,000	209,507	519,507
2034	315,000	196,268	511,268
2035	330,000	182,388	512,388
2036	340,000	167,775	507,775
2037	365,000	150,463	515,463
2038	385,000	130,119	515,119
2039	300,000	113,819	413,819
2040	325,000	101,676	426,676
2041	375,000	87,875	462,875
2042	275,000	75,078	350,078
2043	300,000	63,938	363,938
2044	325,000	51,828	376,828
2045	350,000	38,750	388,750
2046	400,000	24,219	424,219
2047	425,000	8,234	433,234
	$ 7,300,000	$ 3,968,477	$ 11,268,477

See accompanying auditor's report.

Harris County Municipal Utility District No. 420
TSI-6. Change in Long-Term Bonded Debt
April 30, 2023

	Bond Issue			
	Series 2010	Series 2015	Series 2015 Refunding	Series 2018
Interest rate	4.50% - 6.00%	2.00% - 4.00%	2.00% - 4.00%	3.35% - 5.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/12 - 9/1/37	9/1/16 - 9/1/40	9/1/16 - 9/1/35	9/1/20 - 9/1/46
Beginning bonds outstanding	$ 1,100,000	$ 1,500,000	$ 2,015,000	$ 2,875,000
Bonds retired	(20,000)	(25,000)	(120,000)	(25,000)
Ending bonds outstanding	$ 1,080,000	$ 1,475,000	$ 1,895,000	$ 2,850,000
Interest paid during fiscal year	$ 64,288	$ 56,512	$ 71,825	$ 110,706

Paying agent's name and city	
Series 2010	Wells Fargo Bank, N.A., Houston, Texas
All other Series	Bank of New York Mellon, N.A., Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds
Amount Authorized by Voters	$ 20,600,000	$ 20,600,000
Amount Issued	(8,795,000)	(155,000)
Remaining To Be Issued	$ 11,805,000	$ 20,445,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of April 30, 2023: $ 1,121,365

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 469,520

See accompanying auditor's report.

	Totals
$	7,490,000
	(190,000)
$	7,300,000
$	303,331

Harris County Municipal Utility District No. 420
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	$ 260,171	$ 230,729	$ 222,542	$ 224,657	$ 206,922
Sewer service	261,860	240,539	243,569	250,673	233,604
Property taxes	691,470	540,464	499,933	451,943	391,097
Penalties and interest	14,444	11,854	7,257	12,856	13,785
Tap connection and inspection	17,559	81,541	22,133	1,318	1,295
Miscellaneous	26,182	18,768	13,788	20,624	19,607
Investment earnings	42,806	2,086	7,769	11,426	6,731
Total Revenues	1,314,492	1,125,981	1,016,991	973,497	873,041
Expenditures					
Current service operations					
Purchased services	544,380	431,756	410,880	361,086	341,099
Professional fees	114,499	88,267	151,604	101,469	101,475
Contracted services	258,945	297,292	222,563	205,279	202,429
Repairs and maintenance	237,455	252,128	168,522	187,888	142,014
Utilities	16,765	17,175	18,999	12,163	11,735
Administrative	56,270	45,053	45,190	37,607	38,745
Other	143	1,315	2,128	1,312	1,250
Total Expenditures	1,228,457	1,132,986	1,019,886	906,804	838,747
Revenues Over/(Under) Expenditures	$ 86,035	$ (7,005)	$ (2,895)	$ 66,693	$ 34,294
Total Active Retail Water Connections	625	596	511	514	512
Total Active Retail Wastewater Connections	617	588	507	510	508

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
20%	21%	25%	23%	19%
20%	24%	26%	27%	23%
53%	51%	47%	45%	55%
1%	*	1%	2%	1%
1%	2%	*	*	*
2%	2%	1%	2%	2%
3%	*	*	1%	*
100%	100%	100%	100%	100%
41%	38%	40%	37%	39%
9%	8%	15%	10%	12%
20%	26%	22%	21%	23%
18%	22%	17%	19%	16%
1%	2%	2%	1%	1%
4%	4%	4%	4%	4%
*	*	*	*	*
93%	100%	100%	92%	95%
7%	0%	0%	8%	5%

Harris County Municipal Utility District No. 420
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	$ 752,637	$ 587,363	$ 544,936	$ 544,551	$ 529,817
Penalties and interest	8,868	4,249	4,600	2,508	6,229
Investment earnings	20,625	1,837	2,067	7,309	5,752
Total Revenues	782,130	593,449	551,603	554,368	541,798
Expenditures					
Tax collection services	24,458	19,194	15,672	12,411	17,700
Other	2,281	2,669	8,532	4,215	2,703
Debt service					
Principal	190,000	190,000	180,000	155,000	155,000
Interest and fees	307,606	311,081	318,138	322,225	265,142
Total Expenditures	524,345	522,944	522,342	493,851	440,545
Revenues Over Expenditures	$ 257,785	$ 70,505	$ 29,261	$ 60,517	$ 101,253

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
96%	100%	100%	99%	98%
1%	*	*	*	1%
3%	*	*	1%	1%
100%	100%	100%	100%	100%
3%	3%	3%	2%	3%
*	*	2%	*	*
24%	32%	33%	28%	29%
39%	52%	58%	58%	49%
66%	87%	96%	88%	81%
34%	13%	4%	12%	19%

Harris County Municipal Utility District No. 420
TSI-8. Board Members, Key Personnel and Consultants
April 30, 2023

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 25, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members:				
Larry P. Hope	05/20 - 05/24	$ 1,650	$ 482	President
Stephen Chad Scott	05/22-05/26	1,650		Vice President
Steven R. Spillette	05/22-05/26	1,200	123	Secretary
Shayna Helvey	08/20 - 05/24	3,900	3,211	Assistant Secretary
Chris Wilson	05/22 - 05/26	1,500	490	Assistant Vice President
Jerald Simandl	05/22-05/22			Former Director
Consultants:		Amounts Paid		
Allen Boone Humphries Robinson LLP	08/05			Attorney
General legal fees		$ 69,269		
Inframark, LLC	05/12	240,351		Operator
Myrtle Cruz, Inc.	11/05	21,833		Bookkeeper
Assessments of the Southwest, Inc.	11/05	11,376		Tax Collector
Harris County Appraisal District	Legislation	9,640		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	03/06	3,441		Delinquent Tax Attorney
Dannenbaum Engineering Corp.	08/05	28,761		Engineer
McGrath & Co., PLLC	2010	16,000		Auditor
Rathmann & Associates, L.P.	11/05			Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

See accompanying auditor's report.

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

SPECIMEN

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

SPECIMEN

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100