OFFICIAL STATEMENT DATED DECEMBER 16, 2024

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON 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 THE OPINION OF BOND COUNSEL.

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

NEW ISSUE—BOOK-ENTRY-ONLY **RATING: Insured "AA" (stable outlook) S&P**
CUSIP No. 41429K **See "MUNCIPAL BOND RATING" and "BOND INSURANCE" herein**

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 423

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

$4,310,000	$2,300,000
UNLIMITED TAX PARK BONDS	**UNLIMITED TAX BONDS**
SERIES 2025	**SERIES 2025A**

Dated: January 1, 2025 **Due: April 1 (as shown below)**

The $4,310,000 Unlimited Tax Park Bonds, Series 2025 (the "Series 2025 Park Bonds"), and the $2,300,000 Unlimited Tax Bonds, Series 2025A Bonds (the "Series 2025A Bonds"), when issued, will constitute valid and binding obligations of Harris County Municipal Utility District No. 423 (the "District") and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Series 2025 Park Bonds and the Series 2025A Bonds are collectively referred to herein as the "Bonds." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

Interest on the Bonds will accrue from January 1, 2025, and will be payable on April 1 and October 1 of each year, commencing April 1, 2025. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. 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 owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS – Paying Agent/Registrar."

SEE INSIDE COVER FOR PRINCIPAL AMOUNTS,
MATURITIES, INTEREST RATES, AND REOFFERING YIELDS

The proceeds of the Series 2025 Park Bonds will be used by the District to: (1) fund certain park expenditures for park related costs previously advanced by the Developer (as defined herein), including land and engineering costs; (2) fund six months of capitalized interest; and (3) to pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2025 Park Bonds. The proceeds of the Series 2025A Bonds will be used by the District to: (1) finance certain improvements to the District's water supply and drainage system costs previously advanced by the Developer (as defined herein) including land and engineering costs; (2) fund six months of capitalized interest; and (3) to pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2025A Bonds. See "USE OF BOND PROCEEDS."

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The Issuer will be advised on certain legal matters concerning disclosure by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about January 16, 2025.

$4,310,000

UNLIMITED TAX PARK BONDS, SERIES 2025

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$125,000	2028	6.500%	3.250%	$205,000	2039(b)	4.000%	4.050%
$130,000	2029	6.500%	3.300%	$215,000	2040(b)	4.125%	4.125%
$140,000	2030(b)	6.500%	3.350%	$225,000	2041(b)	4.125%	4.150%
$145,000	2031(b)	6.500%	3.400%	$235,000	2042(b)	4.125%	4.180%
$150,000	2032(b)	6.500%	3.450%	$250,000	2043(b)	4.125%	4.210%
$160,000	2033(b)	5.250%	3.500%	$260,000	2044(b)	4.125%	4.240%
$165,000	2034(b)	4.000%	3.650%	$270,000	2045(b)	4.125%	4.260%
$175,000	2035(b)	4.000%	3.750%	$285,000	2046(b)	4.125%	4.280%
$180,000	2036(b)	4.000%	3.850%	$295,000	2047(b)	4.125%	4.300%
$190,000	2037(b)	4.000%	3.950%	$310,000	2048(b)	4.125%	4.320%
$200,000	2038(b)	4.000%	4.000%				

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.

(b) The Bonds maturing on or after April 1, 2030, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2029, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."

$2,300,000

UNLIMITED TAX BONDS, SERIES 2025A

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$350,000	2049(b)	5.000%	4.000%	$390,000	2052(b)	4.375%	4.380%
$350,000	2050(b)	5.000%	4.050%	$405,000	2053(b)	4.375%	4.390%
$375,000	2051(b)	4.375%	4.375%	$430,000	2054(b)	4.375%	4.400%

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.

(b) The Bonds maturing on or after April 1, 2030, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2029, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."

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

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

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

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 any purpose.

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "BOND INSURANCE" and "APPENDIX B − Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2025 Park Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Series 2025 Underwriter" or an "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.013294% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.459777%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Series 2025A Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Series 2025A Underwriter" or an "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.000323% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.661781%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Series 2025 Underwriter and the Series 2025A Underwriter shall be referred to herein collectively as the "Underwriters."

The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriters or wholesaler. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB via EMMA. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT" (except for "Estimated Overlapping Debt"), "DISTRICT TAX DATA," and "APPENDIX A" (Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 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 Resolutions make any provisions 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.”

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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 and 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 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 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 described herein in compliance with the Rule taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with the Rule.

MUNICIPAL BOND RATING

S&P Global Ratings (“S&P”) is expected to assign its municipal bond insured rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, separate municipal bond insurance policies insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its separate Municipal Bond Insurance Policies (each a “policy” and collectively, the “Policies”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policies included as an appendix to this Official Statement.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), 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 certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’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 AG 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 AG in its sole discretion. In addition, the rating agencies may at any time change AG'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 AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On October 18, 2024, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG'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, 2023.

Capitalization of AG

At September 30, 2024:

- The policyholders' surplus of AG was approximately $3,644 million.

- The contingency reserve of AG was approximately $1,374 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,438 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG 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 AG 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, 2023 (filed by AGL with the SEC on February 28, 2024);
(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024);
(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024); and
(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (filed by AGL with the SEC on November 12, 2024).

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

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "BOND INSURANCE."

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description: The $4,310,000 Unlimited Tax Park Bonds, Series 2025 (the "Series 2025 Park Bonds") and the $2,300,000 Unlimited Tax Bonds, Series 2025A (the "Series 2025A Bonds"), are dated January 1, 2025. The Series 2025 Park Bonds and the Series 2025A Bonds are collectively referred to herein as the "Bonds." The Bonds represent the seventh and eighth series of bonds to be issued by the District. The Bonds mature on April 1 in the years shown in the table on the cover page of this Official Statement. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS."

Redemption Provisions: The Bonds maturing on or after April 1, 2030, are subject to early redemption, in whole or in part, on April 1, 2029, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption."

Book-Entry-Only System: The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds: The proceeds of the Series 2025 Park Bonds will be used by the District to: (1) fund certain park expenditures for park related costs previously advanced by the Developer (as defined herein), including land and engineering costs; (2) fund six months of capitalized interest; and (3) to pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2025 Park Bonds.

The proceeds of the Series 2025A Bonds will be used by the District to: (1) finance certain improvements to the District's water supply and drainage system costs previously advanced by the Developer (as defined herein) including land and engineering costs; (2) fund six months of capitalized interest; and (3) to pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2025A Bonds. See "USE OF BOND PROCEEDS."

Legal Opinion: Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Paying Agent/Registrar: The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

Payment Record: The Bonds represents the District's seventh and eighth bond issues. The District has never defaulted in the payment of principal or interest on any bonds or outstanding obligations.

Risk Factors: The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

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

Municipal Bond Rating & Insurance: S&P is expected to assign its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, separate municipal bond insurance policies insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

THE DISTRICT

Description: The District is a municipal utility district created by order of the Texas Commission on Environmental Quality ("TCEQ") dated December 12, 2006. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended.

The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road and park powers. See "THE DISTRICT."

The District contains approximately 399 acres of land. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas. The District is located entirely within the Humble Independent School District. The District is located approximately 13 miles northeast of the central business district of the City of Houston. The District is immediately to the north side of Beltway 8 (North Sam Houston Parkway) and lies approximately 3 miles east of U.S. Highway 59. According to the District's Engineer, none of the developed land within the District would be subject to flooding during a hypothetical 100-year flood event. See "THE DISTRICT."

Status of Land Development: A summary of the approximate land use in the District appears in the following table:

Type of Land Use	Approximate Acres	
Developed Acres	396	
Under Development	0	
Remaining Developable Acreage	0	
Undevelopable Acreage	3	(a)
Total Approximate Acres	**399**	

(a) Includes street rights-of-way.

Home Building Development: As of November 1, 2024, residential development in the District included 1,380 completed homes, 66 homes under construction, and 21 vacant developed lots. Homes have been or are currently being constructed by Westin Homes, Ashton Wood Homes, Empire Homes, Highland Homes, Lennar Homes, Trendmaker Homes, Taylor Morrison Homes, Chesmar Homes, History Maker Homes, Wan Bridge, Hamilton Thomas Homes and Shea Homes; homes have been or are and being marketed in the $250,000 - $500,000 price range.

The Developer: Substantially all of the land within the District has been developed by three different special purpose entities created by Mr. Al P. Brende/the Land Tejas Companies. The three entities are collectively referred to herein as the "Original Developers." In December 2021, each of the Original Developers sold their interests to Astro Balmoral LP, a Delaware limited partnership created by Mr. Al P. Brende/the Land Tejas Companies, and Starwood Land Astro Ventures LP. Astro Balmoral LP is a special purpose entity established solely for the purpose of developing land and marketing developed land within the Balmoral Planned Community. Land Strategies Management has entered into a management agreement with the Land Tejas companies for the purpose of managing the day to day development activities within the Balmoral Planned Community. All three of the Original Developers have assigned their respective developer financing agreement with the District to Astro Balmoral LP. The Original Developers and Astro Balmoral LP are collectively referred to herein as the "Developer."

The System: The System currently obtains all of its water from Harris County MUD No. 400 ("MUD 400"). Per the Second Amendment to the Water Facilities Agreement dated February 1, 2023, between the District and Harris County MUD No. 400, the District owns 45.12% or 1,850 connections of MUD 400's water supply system.

The MUD 400 Wastewater Treatment Plant No. 2 is a shared facility with Harris County MUD Nos. 400, 422, 423, and 499, as well as Harris County Fresh Water Supply District No. 48. The District's capacity in Wastewater Treatment Plant No. 2 is 1,784 ESFC's based on 225 gpd per ESFC. See "THE SYSTEM."

100-Year Flood Plain The District currently has approximately 3.54 acres within the shaded Zone X, or 500-Year Flood Zone as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Numbers 48201C0505M, Harris County, Texas, and Incorporated Areas, dated June 9, 2014 and 48201C0510L, Harris County, Texas, and Incorporated Areas, dated June 18, 2007. None of the District currently lies within the 100-year flood plain. See "THE SYSTEM."

SELECTED FINANCIAL INFORMATION
(Unaudited)

10/15/2024 Estimated Taxable Value	$465,694,498	(a)
2024 Certified Taxable Value	$428,814,818	(b)
Direct Debt		
Outstanding Bonds (as of November 1, 2024)	$62,955,000	
The Bonds	$6,610,000	(c)
Total Direct Debt	$69,565,000	
(See “DISTRICT DEBT”)		
Estimated Overlapping Debt (See “DISTRICT DEBT”)	$21,223,484	
Direct and Estimated Overlapping Debt	$90,788,484	
Percentage of Direct Debt to:		
10/15/2024 Estimated Taxable Value	14.94%	
2024 Certified Taxable Value	16.22%	
See “DISTRICT DEBT”		
Percentage of Direct and Estimated Overlapping Debt to:		
10/15/2024 Estimated Taxable Value	19.50%	
2024 Certified Taxable Value	21.17%	
See “DISTRICT DEBT”		
2024 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.70	
Road Debt Service Tax	$0.12	
Maintenance Tax	$0.47	
Total 2024 Tax Rate	$1.29	
Cash and Temporary Investment Balances as of November 18, 2024		
General Fund	$5,878,052	
Road Debt Service Fund Balance	$105,551	(d)
Debt Service Fund Balance	$585,462	(e)

(a) Reflects data supplied by Harris Central Appraisal District (“HCAD”). The Estimated Taxable Value as of 10/15/2024 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and “TAXING PROCEDURES.”

(b) Reflects the January 1, 2024 Certified Taxable Values according to data supplied to the District by HCAD. The figure above excludes $12,205,141 of property value that is still in process of being certified by HCAD. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA” and “TAXING PROCEDURES.”

(c) Includes the Series 2025 Park Bonds ($4,310,000 in principal amount) and the Series 2025A Bonds ($2,300,000 in principal amount).

(d) The funds in the Road Debt Service Fund are available to pay debt service on the District’s bonds issued for road facilities (“Road Bonds”) and are not available to pay debt service on the District’s bonds issued for water, sewer, and drainage facilities or park facilities. Neither Texas law nor the District’s Bond Resolutions require the District to maintain any minimum balance in the Road Debt Service Fund.

(e) The cash and investment balance in the Debt Service Fund includes six months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. The funds in the Debt Service Fund are available to pay debt service on the District’s bonds issued for water, sewer, and drainage facilities or park facilities. Neither Texas law nor any bond resolutions require that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and “DISTRICT DEBT.” The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the Road Bonds.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service on the District's Outstanding Bonds and the debt service requirements for the Bonds.

Year	Existing Debt Service Requirements	Debt Service on the 2025 Park Bonds		Debt Service on the 2025A Bonds		Total Debt Service Requirements
		Principal	Interest	Principal	Interest	
2025	$3,217,293	-	$145,936	-	$78,750	$3,441,979
2026	$3,482,606	-	$194,581	-	$105,000	$3,782,187
2027	$3,507,856	-	$194,581	-	$105,000	$3,807,437
2028	$3,551,918	$125,000	$190,519	-	$105,000	$3,972,436
2029	$3,619,605	$130,000	$182,231	-	$105,000	$4,036,836
2030	$3,590,168	$140,000	$173,456	-	$105,000	$4,008,624
2031	$3,564,981	$145,000	$164,194	-	$105,000	$3,979,174
2032	$3,593,356	$150,000	$154,606	-	$105,000	$4,002,962
2033	$3,577,793	$160,000	$145,531	-	$105,000	$3,988,324
2034	$3,591,231	$165,000	$138,031	-	$105,000	$3,999,262
2035	$3,601,918	$175,000	$131,231	-	$105,000	$4,013,149
2036	$3,585,106	$180,000	$124,131	-	$105,000	$3,994,237
2037	$3,616,371	$190,000	$116,731	-	$105,000	$4,028,102
2038	$3,644,731	$200,000	$108,931	-	$105,000	$4,058,662
2039	$3,620,200	$205,000	$100,831	-	$105,000	$4,031,031
2040	$3,667,168	$215,000	$92,297	-	$105,000	$4,079,464
2041	$3,684,200	$225,000	$83,222	-	$105,000	$4,097,421
2042	$3,672,403	$235,000	$73,734	-	$105,000	$4,086,137
2043	$3,682,075	$250,000	$63,731	-	$105,000	$4,100,806
2044	$3,687,371	$260,000	$53,213	-	$105,000	$4,105,584
2045	$3,712,981	$270,000	$42,281	-	$105,000	$4,130,262
2046	$3,758,371	$285,000	$30,834	-	$105,000	$4,179,205
2047	$3,751,886	$295,000	$18,872	-	$105,000	$4,170,758
2048	$3,769,309	$310,000	$6,394	-	$105,000	$4,190,703
2049	$3,781,823	-	-	$350,000	$96,250	$4,228,073
2050	$3,774,262	-	-	$350,000	$78,750	$4,203,012
2051	$1,623,487	-	-	$375,000	$61,797	$2,060,284
2052	$399,853	-	-	$390,000	$45,063	$834,916
2053	$423,559	-	-	$405,000	$27,672	$856,231
2054		-	-	$430,000	$9,406	$439,406
TOTALS	**$96,753,873**	**$4,310,000**	**$2,730,102**	**$2,300,000**	**$2,812,688**	**$108,906,662**

Maximum Annual Debt Service Requirements (2049) $4,228,073

Average Annual Debt Service Requirements (2025 - 2054).......... $3,630,222

$0.96 debt service tax rate on the 10/15/2024 Estimate Taxable Valuation of $465,694,498 at 95% collections produces.......... $4,247,134

$1.04 debt service tax rate on the 2024 Certified Taxable Valuation of $428,814,818 at 95% collections produces.......... $4,236,690

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

Relating to

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 423

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

$4,310,000 **UNLIMITED TAX PARK BONDS** **SERIES 2025**	**$2,300,000** **UNLIMITED TAX BONDS** **SERIES 2025A**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 423 of its $4,310,000 Unlimited Tax Park Bonds, Series 2025 (the “Series 2025 Park Bonds”) and its $2,300,000 Unlimited Tax Bonds, Series 2025A (the “Series 2025A Bonds”). The Series 2025 Park Bonds and the Series 2025A Bonds are collectively referred to herein as the “Bonds.”

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, and general laws of the State of Texas, separate resolutions authorizing the issuance of the Bonds (the "Bond Resolutions") adopted by the Board of Directors of Harris County Municipal Utility District No. 423 (the "District"), an order of the Texas Commission on Environmental Quality (the “TCEQ”) and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Resolutions, certain information about the District and its financial condition, and the Developer in the District. 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 Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

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 taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by: (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection procedures against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property; (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below; or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See “TAXING PROCEDURES.”

Registered Owners' Remedies

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

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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if 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.

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

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

A District cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, 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 safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space, especially during times of relatively low oil and natural gas prices. The relatively low oil and natural gas prices, currently being experienced worldwide, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The continued growth of taxable values in the District is directly related to the housing and building industry. 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, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or homebuilding costs. Interest rate levels may affect the Developer's or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The housing industry in the Houston area is competitive and the District can give no assurance that current homebuilding programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Nationally, there was a significant downturn in new housing construction from 2008 – 2012 caused, in part, by increasing foreclosures, reduced builder financing, the unavailability of mortgage funds, and contraction in the national economy resulting in a decline in the market value of homes. That downturn did not have a significant effect on the value of homes in the District. However, the Houston area did experience reduced levels of home construction in 2009, 2010, 2011 and 2012 when compared to similar periods in prior years (i.e., 2004 – 2007).

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Landowners/Developer under No Obligation to the District

Neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developer) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developer) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers

Based upon the 2024 Certified tax rolls, the top ten taxpayers were responsible for approximately 17.20% of the District's 2024 taxes. The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. The District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolutions, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund, Road Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DISTRICT'S DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2024 tax rate of $1.29 per $100 of assessed valuation is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Harris County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential building development within the District, other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay ad valorem taxes levied by the District. After the issuance of the Bonds, the maximum annual debt service requirement will be $4,228,073 (2049). The District's 10/15/2024 Estimated Taxable Value is

$465,694,498. Assuming no increase or decrease from the 10/15/2024 Estimated Taxable Value and no use of other District funds, a tax rate of $0.96 per $100 of Assessed Valuation at 95% collection rate would be necessary to pay the maximum annual debt service requirement. The District's 2024 Certified Taxable Value is $428,814,818. Assuming no increase or decrease from the 2024 Certified Taxable Value and no use of other District funds, a tax rate of $1.04 per $100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

Amount	Purpose
$182,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
$65,000,000	For certain road facilities and for refunding
$19,500,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have $133,015,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, $54,310,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that remains authorized but unissued, and $9,125,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remains authorized but unissued.

The principal amount of any additional bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but may not exceed more than three percent (3%) of the value of the taxable property in the District. Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property for such purposes.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolutions on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The District'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.

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

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

Changes in Tax Legislation

Certain tax legislation, if enacted 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.

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 applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the policy insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

Severe Weather

The District is located approximately 30 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Hurricane Harvey

The Houston area, including Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the observations of the District's Operator and the District's Engineer, the District's System did not sustain any significant damage and there was no interruption of water and sewer service to District customers as a result of Hurricane Harvey. According to the observations of the District's Engineer and members of the District's Board of Directors, no homes in the District experienced flooding as a result of Hurricane Harvey.

Specific Flood Risks

The District may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flooding – Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Temporary Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) 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. See "TAXING PROCEDURES."

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 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.

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's 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.

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harry County regulations took effect on January 1, 2018, and the new and amended City of Houston regulations took effect on September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City of Houston's extraterritorial jurisdiction.

Atlas 14

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

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

USE OF BOND PROCEEDS

The proceeds of the Series 2025 Park Bonds will be used by the District to: (1) fund certain park expenditures for park related costs previously advanced by the Developer (as defined herein), including land and engineering costs; (2) fund six months of capitalized interest; and (3) to pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2025 Park Bonds.

The proceeds of the Series 2025A Bonds will be used by the District to: (1) finance certain improvements to the District's water supply and drainage system costs previously advanced by the Developer (as defined herein) including land and engineering costs; (2) fund six months of capitalized interest; and (3) to pay administrative costs and issuance expenses associated with the sale and delivery of the Series 2025A Bonds.

The District's present estimate of the use of proceeds of the Bonds is as follows:

	Series 2025 Park Total Amount		Series 2025A Total Amount	
CONSTRUCTION COSTS				
Developer Contribution Items				
Balmoral Hills, Balmoral Bend, & Greens Rd.-WS & D	$0		$287,789	
Balmoral Section 27-WS & D	$0		$485,753	
Balmoral Greens Rd South Landscape Improvements	$215,708		$0	
Balmoral Greens Road Park	$1,994,729		$0	
Balmoral Section 28 Exterior Landscape Improvements	$180,734		$0	
Engineering and Testing	$234,567		$330,243	
Total Developer Contribution Items	**$2,625,738**		**$1,103,785**	
District Items				
District's Share of WWTP Expansion Capacity	$0		$418,264	
Land Cost	$0		$395,079	
Land Acquisition Costs - Track 1	$85,216		$0	
Land Acquisition Costs - Track 2	$725,300		$0	
Total District Items	**$810,516**		**$813,343**	
TOTAL CONSTRUCTION COSTS	**$3,436,254**		**$1,917,128**	
USE OF SURPLUS FUNDS	**$0**		**($200,000)**	(a)
NET CONSTRUCTION ITEMS	**$3,436,254**	(b)	**$1,717,128**	(b)
NON-CONSTRUCTION COSTS				
Legal Fees	$122,750		$69,000	
Financial Agent Fees	$86,200		$46,000	
Developer Interest	$333,778		$258,855	
Capitalized Interest	$97,290		$52,500	
Bond Discount	$128,727		$68,993	
Bond Issuance Expenses	$48,193		$41,767	
Bond Application Report	$35,000		$35,000	
Attorney General Fee	$4,310		$2,300	
TCEQ Bond Issuance Fee	$10,775		$5,750	
Contingency	$6,723	(c)	$2,707	(c)
TOTAL NON-CONSTRUCTION COSTS	**$873,746**		**$582,872**	
TOTAL BOND ISSUE REQUIREMENT	**$4,310,000**		**$2,300,000**	

(a) The District intends to use surplus funds from its General Fund to pay for certain of the project costs associated with the Series 2025A Bonds.

(b) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. None of the facilities being financed with bond proceeds were subject to such rule.

(c) Represents the difference between the estimated and actual amounts of capitalized interest and Bond discount. Such funds will be used by the District for park-related costs only after receiving the necessary approvals from the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created by order of the TCEQ dated December 12, 2006. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road and park powers.

Under certain limited circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities, and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

In order to obtain the consent of the City of Houston ("the City") to the creation of the District (within whose extraterritorial jurisdiction the District lies) the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description

The District contains approximately 399 acres of land which includes the sections in the District known as Balmoral Sections 4-8, 15, 18-22, and 25-28 as well as a section known as Balcara at Balmoral (Balmoral, Section 24). Additionally, approximately 23 acres of land is being used for existing/potential commercial development. The District is located entirely within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City. The District is located entirely within the Humble Independent School District. The District is located approximately 13 miles northeast of the central business district of the City. The District is immediately to the north side of Beltway 8 (North Sam Houston Parkway) and lies approximately 3 miles east of U.S. Highway 59. According to the District's Engineer, none of the developed land within the District would be subject to flooding during a hypothetical 100-year flood event.

Status of Land Development/Land Uses in the District

Type of Land Use	Approximate Acres	
Developed Acres	396	
Under Development	0	
Remaining Developable Acreage	0	
Undevelopable Acreage	3	(a)
Total Approximate Acres	**399**	

(a) Includes street rights-of-way.

Home Building Development

A tabulation of the single-family development and potential future commercial development within the District as of November 1, 2024, is approximately as follows:

Section	Acreage	Total Lots	Completed	Under Construction	Vacant Developed Lots
Balmoral, Section 4 (a)	37	112	112	0	0
Balmoral, Section 5 (b)	22	112	112	0	0
Balmoral, Section 6 (c)	27	66	66	0	0
Balmoral, Section 7 (d)	5	13	12	0	1
Balmoral, Section 8 (e)	22	89	89	0	0
Balmoral, Section 15 (f)	21	86	86	0	0
Balmoral, Section 18 (g)	12	44	44	0	0
Balmoral, Section 19 (g)	21	190	190	0	0
Balmoral, Section 20 (g)	7	31	22	9	0
Balmoral, Section 21 (h)	21	89	89	0	0
Balmoral, Section 22 (h)	16	73	73	0	0
Balmoral, Section 24 (i)	20	163	163	0	0
Balmoral, Section 25 (j)	33	100	100	0	0
Balmoral, Section 26 (k)	43	202	78	4	20
Balmoral, Section 27 (l)	14	105	52	53	0
Balmoral, Section 28 (l)	17	92	92	0	0
Other Balmoral Sections (m)	23	-	-	-	-
TOTAL	**361**	**1,567**	**1,380**	**66**	**21**

(a) Homes in Balmoral, Section 4 were constructed by Westin Homes and Ashton Woods Homes. Homes in this section were marketed in the $330,000 to $450,000 price range.

(b) Homes in Balmoral, Section 5 were constructed by Empire Homes and Highland Homes. Homes in this section were marketed in the $250,000 to $310,000 price range.

(c) Homes in Balmoral, Section 6 were constructed by Lennar Homes. Homes in this section were marketed in the $230,000 to $270,000 price range.

(d) Homes in Balmoral, Section 7 were constructed as a model home court.

(e) Homes in Balmoral, Section 8 were constructed by Trendmaker Homes and Taylor Morrison Homes. Homes in this section were marketed in the $250,000 to $350,000 price range.

(f) Homes in Balmoral, Section 15 were constructed by Westin Homes and Shea Homes. Homes in this section are currently being marketed in the $250,000 to $320,000 price range.

(g) Homes in Balmoral, Section 18-20 were constructed by Shea Homes, Westin Homes, Wan Bridge, History Maker, and Hamilton Thomas Homes in these sections are currently being marketed in the $245,000-$350,000 price range.

(h) Homes in these sections are being constructed by Westin Homes, Ashton Woods, Highland, and Empire Homes. According to the Developer, homes in these sections are currently being marketed in the $275,000 to $500,000 price range.

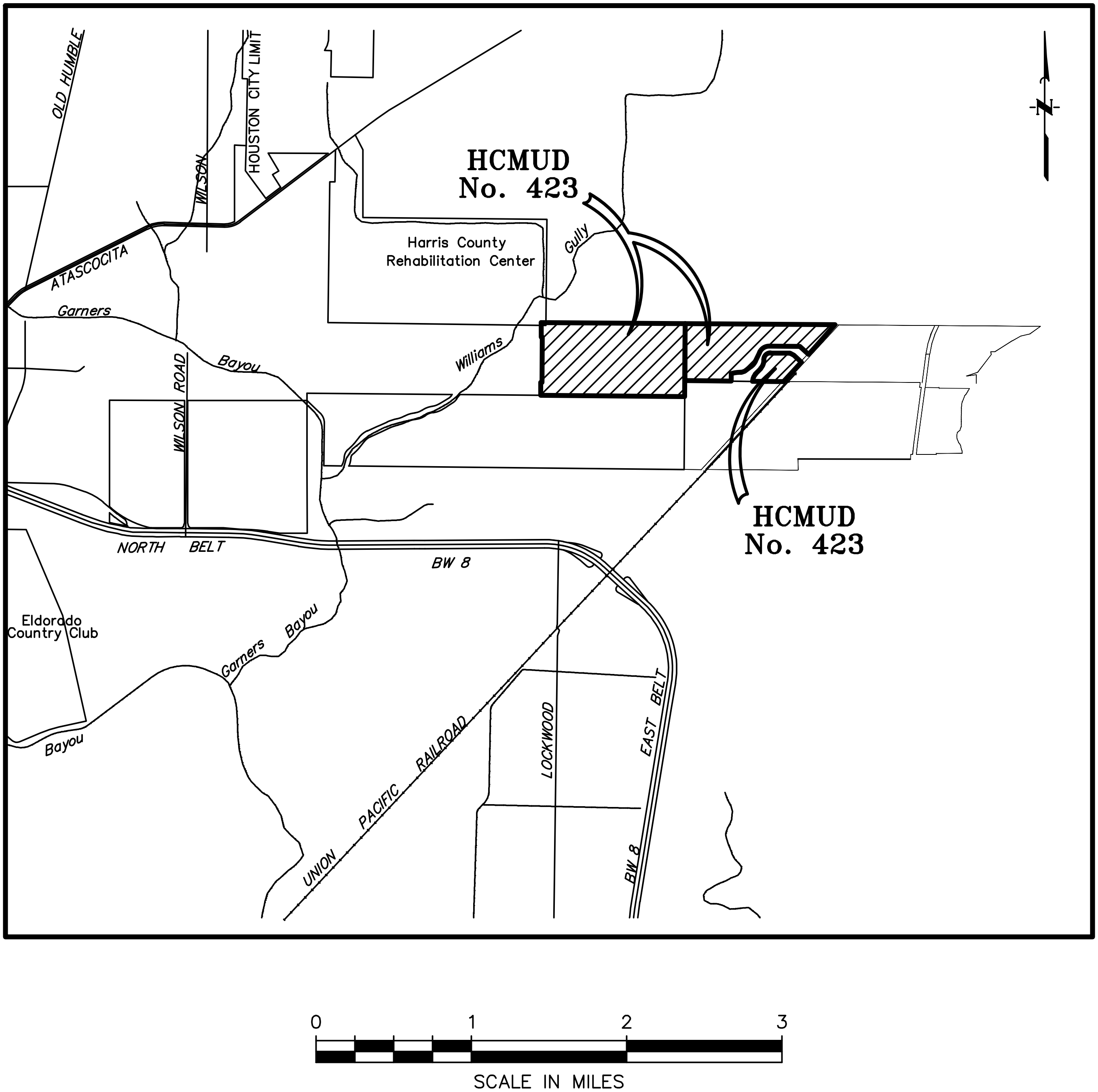
(i) Balcara at Balmoral (also known as Balmoral, Section 24) has been developed by affiliates of the Balcara Group, LLC into 163 single family lots with homes constructed as a rental home community.

(j) Balmoral Section 25 has a total of 126 lots and 54 acres. However, only 100 lots and 47 acres are within the boundary of the District. The remaining lots and acreage are within HC MUD 400. Homes in this section are being constructed by Long Lake and are currently being marketed in the $340,000-$470,000 price range.

(k) Homes in these sections are being constructed by Chesmar, Ashton Woods and Lennar, and are currently being marketed in the $280,000-$375,000 price range.

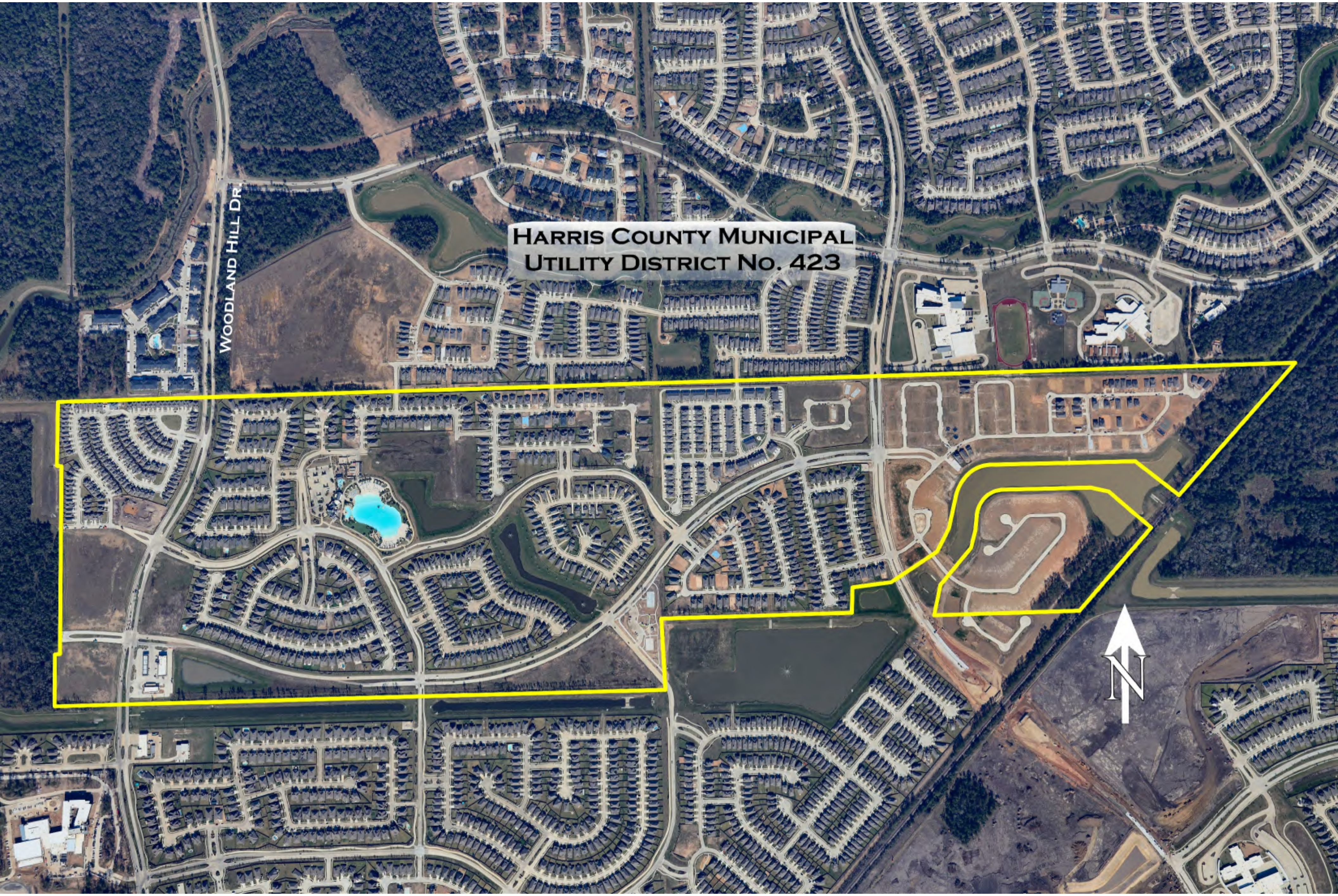
(l) These sections have been developed as townhome communities by the Wan Bridge Group. Balmoral, Section 27 consists of 105 lots. Balmoral, Section 28 consists of 92 townhomes that are complete or substantially complete; the developer is currently in the process of leasing homes.

(m) Includes 4 tracts of land totaling approximately 14 acres that have been developed for commercial purposes and additional tracts totaling approximately 9 acres that are planned to be commercial developments, but are currently undeveloped. The District can make no representation that such commercial tracts will ever be improved with commercial building development.



ATTACHMENT IV
VICINITY MAP
HARRIS COUNTY, TEXAS
MUNICIPAL UTILITY DISTRICT No. 423
MARCH 2020

JONES | CARTER
Texas Board of Professional Engineers Registration No. F-439
1575 Sawdust Road, Suite 400 • The Woodlands, Texas 77380
281.363.4039


Harris County Municipal
Utility District No. 423
Woodland Hill Dr.
N

THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include purchasing the land within a district, designing the streets 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, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developer

Substantially all of the land within the District has been developed by three different special purpose entities created by Mr. Al P. Brende/the Land Tejas Companies. The three entities are collectively referred to herein as the "Original Developers." The paragraphs below provide brief descriptions of each of those special purpose entities. In December 2021 each of the Original Developers sold their interests to Astro Balmoral LP a Delaware limited partnership created by Mr. Al P. Brende/the Land Tejas Companies, and Starwood Land Astro Ventures LP. Astro Balmoral LP is a special purpose entity established solely for the purpose of developing land and marketing developed land within the Balmoral Planned Community. Land Strategies Management has entered into a management agreement with the Land Tejas companies for the purpose of managing the day to day development activities within the Balmoral Planned Community. All three of the Original Developers have assigned their respective developer financing agreement with the District to Astro Balmoral LP. The Original Developers and Astro Balmoral LP are collectively referred to herein as the "Developer."

Balmoral LT LLC (Balmoral LT), is a special purpose entity created by Land Tejas Companies, Ltd. solely for the purpose of developing approximately 146 acres known as Balmoral, Sections 4-8, 15, and 18. As of January 1, 2023, there was no outstanding debt associated with the 146 acres originally developed by Balmoral LT.

The developer for 75 acres located on the eastern side of the District, known as Balmoral, Sections 19-22 is Balmoral LT 168 LLC. Balmoral LT 168 LLC is a special purpose entity established solely for the purpose of developing such land located within the District. All of the 75 acres have been developed and substantially all off of the land has been sold to 6 different homebuilders. As of January 1, 2023, there was no debt associated with the 75 acres mentioned above.

Balmoral LT 25 and 26, LLC ("LT 25 & 26") is a special purpose entity created solely to develop approximately 93 acres in the District known as Balmoral, Sections 25 & 26. The general partner of LT 25 & 26 is LT Management, Inc., a Nevada Corporation whose president is Mr. Al P. Brende. As of January 1, 2023, there was no debt associated with the 93 acres mentioned above.

WB Opportunity Fund V LP "WB Opportunity" is the developer of Balmoral Hills and Balmoral Bend & Greens Road. WB Opportunity does business in the District in the name of W Land Development and is also developing the two rental townhome communities in the sections known as Balmoral, Sections 27 and 28. See "—Home Building Development" footnote "I".

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (the "System") as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Harris County, the City, Harris County Flood Control District, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System.

Water Supply

The System currently obtains all of its water from Harris County MUD No. 400 ("MUD 400"). Per the Second Amendment to the Water Facilities Agreement dated February 1, 2023, between Harris County MUD No. 423 and Harris County MUD No. 400, Harris County MUD No. 423 owns 45.12% or 1,850 connections of MUD 400's water supply system.

MUD 400 has entered into a water supply and groundwater reduction plan contract with the City, effective June 30, 2005, under which MUD 400 is included in the City's groundwater reduction plan.

Wastewater Treatment

The MUD 400 Wastewater Treatment Plant No. 2 is a shared facility with Harris County MUD Nos. 400, 422, 423, and 499, as well as Harris County Fresh Water Supply District No. 48. The District's capacity in Wastewater Treatment Plant No. 2 is 1,784 ESFC's based on 225 gpd per ESFC.

Storm Drainage Facilities

Land within the District is in the San Jacinto River watershed and naturally drains towards Lake Houston, which drains south to the Houston Ship Channel, which ultimately outfalls into the Gulf of Mexico. The District has a storm sewer collector system that drains into a drainage/detention channel that is located near the southern boundary. This drainage/detention channel outfalls into Lake Houston.

The District did not receive any damage to its facilities and there was no flooding of homes in the District during Hurricane Harvey. See "RISK FACTORS – Hurricane Harvey."

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection, and storm drainage facilities have been constructed to serve 1,567 single-family residential lots in the District.

100-Year Flood Plain

The District currently has approximately 3.54 acres within the shaded Zone X, or 500-Year Flood Zone as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Numbers 48201C0505M, Harris County, Texas, and Incorporated Areas, dated June 9, 2014 and 48201C0510L, Harris County, Texas, and Incorporated Areas, dated June 18, 2007. None of the District currently lies within the 100-year flood plain.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	For Years Ended July 31 (a)				
	2024	**2023**	**2022**	**2021**	**2020**
REVENUES					
Water Service	$444,057	$420,065	$323,431	$190,309	$107,304
Sewer Service	$739,084	$680,424	$563,829	$316,801	$125,452
Property taxes	$2,862,685	$2,821,548	$1,883,078	$974,983	$337,101
Penalty and interest	$27,767	$23,971	$17,252	$17,567	$5,750
Tap connection and inspection	$320,430	$257,168	$605,096	$1,045,420	$436,540
Miscellaneous	$10,520	$17,943	$10,563	$2,558	$3,713
Investment earnings	$267,523	$142,593	$6,995	$462	$1,905
TOTAL REVENUES	**$4,672,066**	**$4,363,712**	**$3,410,244**	**$2,548,100**	**$1,017,765**
EXPENDITURES					
Current service operations:					
Purchased services	$1,355,341	$1,388,347	$544,833	$500,474	$295,698
Professional fees	$260,792	$167,821	$154,921	$167,109	$275,082
Contracted services	$440,201	$567,243	$567,922	$636,208	$256,566
Repairs and maintenance	$296,163	$303,658	$294,578	$372,595	$215,648
Utilities	$4,495	$4,365	$5,015	$3,560	$1,852
Administrative	$42,037	$46,993	$37,933	$37,850	$23,467
Other	$7,069	$4,297	$3,917	$9,609	$15,850
Capital outlay	$156,450	-	$151,035	$139,808	$3,408,544
Intergovernmental	-	-	-	-	-
Contractual obligations	$292,119	$188,129	$139,355	-	-
TOTAL EXPENDITURES	**$2,854,667**	**$2,670,853**	**$1,899,509**	**$1,867,213**	**$4,492,707**
EXCESS REVENUES (EXPENDITURES) (b)	**$1,817,399**	**$1,692,859**	**$1,510,735**	**$680,887**	**($3,474,942)**

(a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended July 31, 2024.

(b) As of November 18, 2024, the District's General Fund had an unaudited cash and investment balance of approximately $5,878,052. For the fiscal year ending July 31, 2025, the District's General Fund is currently budgeting revenues of approximately $4,360,000 and expenditures of approximately $2,743,206.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Expires May
J. John Yurkanin	President	2028
Patricia Scholes	Vice President	2026
Samuel Jones	Secretary	2028
Antoine Lee	Assistant Secretary	2028
Charles Duffley	Assistant Vice President	2026

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 175 other utility districts.

Bookkeeper – The District's Bookkeeper is Myrtle Cruz, Inc., which acts as bookkeeper for approximately 200 other utility districts.

Auditor – The District's annual financial statements as of and for the year ended July 31, 2024, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's July 31, 2024, audited financial statements.

Utility System Operator – The System's operator is Inframark Water Infrastructure Services (the “Operator”).

Engineer – The consulting engineer for the District is Quiddity Engineering, LLC (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., (“GMS”) serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds however such fees are not contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral, evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of long-term securities or derivative products in the District portfolio.

DISTRICT DEBT

10/15/2024 Estimated Taxable Value	$465,694,498	(a)
2024 Certified Taxable Value	$428,814,818	(b)
Direct Debt		
Outstanding Bonds	$62,955,000	
The Bonds	$6,610,000	(c)
Total Direct Debt	$69,565,000	
Estimated Overlapping Debt	$21,223,484	
Direct and Estimated Overlapping Debt	$90,788,484	
Percentage of Direct Debt to:		
10/15/2024 Estimated Taxable Value	14.94%	
2024 Certified Taxable Value	16.22%	
Percentage of Direct and Estimated Overlapping Debt to:		
10/15/2024 Estimated Taxable Value	19.50%	
2024 Certified Taxable Value	21.17%	
2024 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.70	
Road Debt Service Tax	$0.12	
Maintenance Tax	$0.47	
Total 2024 Tax Rate	$1.29	

(a) Reflects data supplied by HCAD. The Estimated Taxable Value as of 10/15/2024 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) Reflects the January 1, 2024 Certified Taxable Values according to data supplied to the District by HCAD. The figure above excludes $12,205,141 of property value that is still in process of being certified by HCAD. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(c) Includes the Series 2025 Park Bonds ($4,310,000 in principal amount) and the Series 2025A Bonds ($2,300,000 in principal amount).

Estimated Overlapping Debt

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 the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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, the amount of which may not have been reported. 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.

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Overlapping %**	**Amount**
Humble Independent School District	$1,057,840,000	1.760%	$18,621,854
Harris County	$1,578,511,319	0.061%	$964,081
Harris County Flood Control District	$991,095,000	0.062%	$618,475
Port of Houston Authority	$426,134,397	0.062%	$265,946
Harris County Hospital District	$65,285,000	0.062%	$40,733
Harris County Department of Education	$13,865,000	0.061%	$8,467
Lone Star College System	$542,435,000	0.130%	$703,927
Total Estimated Overlapping Debt			**$21,223,484**
The District (a)			$69,565,000
Total Direct and Estimated Overlapping Debt			**$90,788,484**

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2020 through 2024. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Year	Taxable Valuation		Tax Rate (a)	Tax Levy	Cumulative Tax Collections (b)	Year Ended September 30
2024	$428,814,818	(c)	$1.29	$5,531,711	(d)	2025
2023	$401,504,172		$1.29	$5,179,404	99%	2024
2022	$317,866,619		$1.33	$4,227,626	100%	2023
2021	$172,583,193		$1.33	$2,295,356	100%	2022
2020	$88,827,276		$1.36	$1,208,051	100%	2021

(a) See “Tax Rate Distribution” herein.

(b) Represents tax collections as of September 30, 2024.

(c) Reflects the January 1, 2024 Certified Taxable Value according to data supplied to the District by HCAD. The District is authorized by law to levy taxes only against certified values. See “TAXING PROCEDURES.”

(d) In the process of collection. The 2024 taxes are due on or before January 31, 2025; such taxes become delinquent if not paid before February 1, 2025. See “TAXING PROCEDURES.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to $1.50 per $100.00 of assessed valuation at an election held on May 6, 2017. The District's voters authorized a road maintenance tax of up to $0.25 per $100.00 of assessed valuation at an election held on May 6, 2017. See “Tax Rate Distribution” herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2020 through 2024.

	2024	2023	2022	2021	2020
Debt Service	$0.70	$0.47	$0.41	$0.15	$0.00
Road Debt Service	$0.12	$0.10	$0.04	$0.08	$0.25
Maintenance/Operations	$0.47	$0.72	$0.88	$1.10	$1.11
Total	**$1.29**	**$1.29**	**$1.33**	**$1.33**	**$1.36**

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.

Principal Taxpayers

The list of principal taxpayers for 2024 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

Property Owner	Property Description	Property Value	% of Total
FR Balmoral LLC	Vacant	$23,621,136	5.51%
Balmoral LT LLC (a)	Vacant	$15,021,213	3.50%
WB Balmoral LLC	Single-Family	$13,001,723	3.03%
Balmoral Lagoon LLC	Commercial	$5,100,000	1.19%
Panjwani Energy Properties LLC	Commercial/Land	$3,384,263	0.79%
WBWT Balmoral Section 27 LLC	Vacant	$3,150,088	0.73%
Property Owners Associations of Balmoral	Commercial	$2,827,394	0.66%
BL Evers Re LLC	Commercial	$2,748,357	0.64%
Hills Retail LTD	Commercial	$2,630,728	0.61%
Brende Park Lakes 1023 LLC (a)	Vacant	$2,279,777	0.53%
TOTAL TOP 10 VALUE		**$73,764,679**	**17.20%**

(a) See “THE DISTRICT’S DEVELOPER.”

Analysis of Tax Base

Based on information provided to the District by HCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2020 through 2024.

Year	Land	Improvements	Personal Property	Gross Valuations	Exemptions	Taxable Valuations
2024	$67,149,087	$394,713,342	$1,778,357	$463,640,786	$34,825,968	$428,814,818 (a)
2023	$68,382,679	$380,866,986	$2,211,059	$451,460,724	$49,956,552	$401,504,172
2022	$67,110,963	$282,311,888	$550,919	$349,973,770	$32,107,151	$317,866,619
2021	$50,458,214	$132,137,336	$549,703	$183,145,253	$10,562,060	$172,583,193
2020	$36,247,035	$55,675,318	$282,083	$92,204,436	$3,377,160	$88,827,276

(a) Reflects the January 1, 2024 Certified Taxable Value according to data supplied to the District by HCAD. See “TAXING PROCEDURES.”

Estimated Overlapping Taxes

The following table sets forth all 2024 taxes levied by overlapping taxing jurisdictions and includes the District's 2024 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Jurisdictions	2024 Tax Rate
Humble Independent School District	$1.105200
Harris County (a)	$0.608689
Lone Star College System	$0.107600
Emergency Service District No. 1	$0.084477
Emergency Service District No. 10	$0.099374
Overlapping Taxes	**$2.005340**
The District (2024)	$1.290000
Total Direct & Overlapping Taxes	**$3.295340**

(a) Includes Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, and Harris County Education Department.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 10/15/2024 Estimated Taxable Valuation and the 2024 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District's maximum debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2049) $4,228,073

Average Annual Debt Service Requirements (2025 - 2054) $3,630,222

Requires a $0.96 debt service tax rate on the 10/15/2024 Estimated Taxable Value of $465,694,498 at 95% collections $4,247,134

Requires a $1.04 debt service tax rate on the 2024 Certified Taxable Value of $428,814,818 at 95% collections $4,236,690

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 and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Resolutions to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

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 in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by HCAD. HCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of 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 of certain disabled persons, and travel trailers, 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 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 $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran’s residence homestead to which the disabled veterans’ exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads 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, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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 never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A “Freeport Exemption” applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that 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 the necessary action.

Tax Abatement

Either Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Harris County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by HCAD 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 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use 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 are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief 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 years for agricultural use, open space land and timberland.

The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in HCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by HCAD 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 HCAD 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 HCAD 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 orders of the Appraisal Review Board by filing a timely petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against HCAD to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 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) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as “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 Board of Directors designated the District as a Developing District for purposes of setting the 2024 tax rate. 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; 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 and land designated for agricultural use and six months for all other 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 months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District’s collection of taxes for debt services in the year following a disaster.

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.

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, under legislation effective December 1, 2017, 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.

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

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District 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 or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many 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 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.

THE BONDS

General

The Bond Resolutions authorize the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolutions. Capitalized terms in such summary are used as defined in the Bond Resolutions. Such summary is not a complete description of the entire Bond Resolutions and is qualified in its entirety by reference to the Bond Resolutions, a copy of which is available from the District's Bond Counsel upon request.

The Bonds will be dated and will bear interest from January 1, 2025, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2025, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of $5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Bonds maturing on and after April 1, 2030, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2029, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Authority for Issuance

The Bonds represent the seventh and eighth series of bonds to be issued by the District, and the Series 2025 Park Bonds are the second series of such bonds issued for park development. At an election held within and for the District on May 6, 2017, the District's voters authorized $19,500,000 of unlimited tax park bonds for such purpose (the "Park Bond Election"). See "Issuance of Additional Debt."

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, the Bond Resolutions, an order issued by the TCEQ.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolutions, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District' fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City, or any entity other than the District.

Defeasance

The Bond Resolutions provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current tax 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 and all interest to accrue on the Bonds to maturity or redemption, or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and that mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

There is no assurance that the current law will not be changed in the future in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

In the Bond Resolutions, the Debt Service Fund is confirmed and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolutions, shall be deposited as collected in such fund.

Accrued interest on the Bonds, shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolutions or ultimately transferred to the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, consultants, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolutions 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.

Paying Agent/Registrar

Pursuant to the Bond Resolutions, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolutions to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) 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 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured 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.

Issuance of Additional Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

Amount	Purpose
$182,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
$65,000,000	For certain road facilities and for refunding
$19,500,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have $133,015,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, $54,310,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and $9,125,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The principal amount of any additional bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but may not exceed more than three percent (3%) of the value of the taxable property in the District.

The District has the right to issue additional bonds, as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds (which in this section are referred to as Securities) is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities 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, the Financial Advisor, and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Securities, 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 Securities), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, 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, New York, will act as securities depository for the Securities. The Securities 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 Securities, each in the aggregate principal amount or Maturity Value, as the case may be, 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. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Securities 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 fewer than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All payments on the Securities 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Securities at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriters takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriters a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the 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 legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District; and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT and CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. 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 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

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

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 Internal Revenue Code of 1986, as amended (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 proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the District file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolutions that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolutions pertaining to those sections of the Code that 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 Underwriters with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriters, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolutions 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 of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any 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 ownership of, receipt of interest on, 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 individuals 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 hereof. 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 of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue 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 and based upon the assumptions hereinafter stated: (a) the difference between: (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price 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 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 is based on the assumptions that: (a) the Underwriters have 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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bonds and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership and redemption, sale, or other disposition of such 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 designated by the District as "qualified tax-exempt obligations" and 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 represents 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 2025.

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

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

Consultants

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

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description," and "THE DISTRICT – Status of Land Development/Land Uses in the District" has been provided by Quiddity Engineering, LLC, and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by HCAD and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The District's annual financial statements as of and for the year ended July 31, 2024, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's July 31, 2024, audited financial statements.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies for the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and therefore, there can be no assurance that any forward-looking statements included in this Official Statement would prove to be accurate.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, 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 the 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 of such matters and makes no representation as to the accuracy or completeness thereof.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 423 as of the date shown on the cover page.

APPENDIX A

AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JULY 31, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 423

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2024

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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. 423
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. 423 (the "District"), as of and for the year ended July 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 423, as of July 31, 2024, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

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.

Board of Directors
Harris County Municipal Utility District No. 423
Harris County, Texas

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
November 18, 2024

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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. 423 (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 July 31, 2024. 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 July 31, 2024, was negative $24,610,179. This amount is negative because the District incurs debt to construct paving facilities which it conveys to Harris County. A comparative summary of the District's overall financial position, as of July 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	$ 9,348,580	$ 7,685,280
Capital assets	48,414,213	48,410,638
Total assets	57,762,793	56,095,918
Current liabilities	2,875,860	2,127,048
Long-term liabilities	79,497,112	78,901,453
Total liabilities	82,372,972	81,028,501
Net position		
Net investment in capital assets	(15,047,041)	(13,537,544)
Restricted	1,733,789	1,870,950
Unrestricted	(11,296,927)	(13,265,989)
Total net position	$ (24,610,179)	$ (24,932,583)

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District decreased during the current fiscal year by $369,122. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	$ 5,256,439	$ 4,307,464
Water and sewer service	1,183,141	1,100,489
Other	693,467	490,807
Total revenues	7,133,047	5,898,760
Expenses		
Current service operations	2,514,893	2,606,166
Debt interest and fees	2,118,664	1,680,824
Developer interest	724,341	1,621,240
Debt issuance costs	481,031	1,464,576
Intergovernmental	209,235	104,618
Depreciation and amortization	1,454,005	1,308,494
Total expenses	7,502,169	8,785,918
Change in net position before other item	(369,122)	(2,887,158)
Other item		
Change in estimate of due to developer		309,495
Change in net position	(369,122)	(2,577,663)
Net position, beginning of year (2024 restated)	(24,241,057)	(22,354,920)
Net position, end of year	$ (24,610,179)	$ (24,932,583)

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Financial Analysis of the District's Funds

The District's combined fund balances, as of July 31, 2024, were $7,909,888, which consists of $6,037,738 in the General Fund, $1,676,840 in the Debt Service Fund, and $195,310 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	$ 6,963,175	$ 5,141,165
Total liabilities	$ 870,948	$ 891,035
Total deferred inflows	54,489	29,791
Total fund balance	6,037,738	4,220,339
Total liabilities, deferred inflows and fund balance	$ 6,963,175	$ 5,141,165

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

	2024	2023
Total revenues	$ 4,672,066	$ 4,363,712
Total expenditures	(2,854,667)	(2,670,853)
Revenues over expenditures	1,817,399	1,692,859
Other changes in fund balance		30,502
Net change in fund balance	$ 1,817,399	$ 1,723,361

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, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in 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. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the 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.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	$ 1,756,682	$ 1,893,517
Total liabilities	$ 22,893	$ 22,567
Total deferred inflows	56,949	21,724
Total fund balance	1,676,840	1,849,226
Total liabilities, deferred inflows and fund balance	$ 1,756,682	$ 1,893,517

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

	2024	2023
Total revenues	$ 2,387,087	$ 1,546,320
Total expenditures	(2,559,473)	(1,398,479)
Revenues over/(under) expenditures	(172,386)	147,841
Other changes in fund balance		629,325
Net change in fund balance	$ (172,386)	$ 777,166

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the previous fiscal year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in changes 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 July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	$ 199,485	$ 204,851
Total liabilities	$ 4,175	$ 775
Total fund balance	195,310	204,076
Total liabilities and fund balance	$ 199,485	$ 204,851

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

	2024	2023
Total revenues	$ 13,971	$ 13,841
Total expenditures	(6,087,737)	(9,909,958)
Revenues under expenditures	(6,073,766)	(9,896,117)
Other changes in fund balance	6,065,000	9,920,173
Net change in fund balance	$ (8,766)	$ 24,056

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Park Bonds in the current year and the sale of its Series 2023 Unlimited Tax Road Bonds and Series 2022A Unlimited Tax Bonds in the prior year.

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 $295,549 less than budgeted. The *Budgetary Comparison Schedule* on page 42 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 July 31, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	$ 3,374,934	$ 3,175,284
Capital assets being depreciated/amortized		
Infrastructure	27,156,051	26,038,378
Interest in joint facilities	16,860,934	16,860,934
Landscaping improvements	7,063,287	6,653,334
	51,080,272	49,552,646
Less accumulated depreciation/amortization		
Infrastructure	(3,250,454)	(2,290,358)
Interest in joint facilities	(1,738,064)	(1,311,459)
Landscaping improvements	(1,052,475)	(715,475)
	(6,040,993)	(4,317,292)
Depreciable capital assets, net	45,039,279	45,235,354
Capital assets, net	$ 48,414,213	$ 48,410,638

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current fiscal year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Capital asset additions during the current year include the following:

- Balmoral Section 28 exterior landscape improvements
- Land acquisitions
- Water meters

Long-Term Debt and Related Liabilities

As of July 31, 2024, the District owes approximately $11,913,399 to developers for completed projects and operating advances. 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. As discussed in Note 7, the District has an additional commitment in the amount of $1,220,331 for projects under construction by the developers. As noted, the District will owe its developer for these projects 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 July 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2020 Road	$ 5,975,000	$ 6,110,000
2021	15,650,000	16,000,000
2022	17,010,000	17,010,000
2022A	13,675,000	13,675,000
2023 Road	4,580,000	4,580,000
2024 Park	6,065,000	
	$ 62,955,000	$ 57,375,000

During the current year, the District issued $6,065,000 in unlimited tax park bonds. At July 31, 2024, the District had $135,315,000 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 for the refunding such bonds; $13,435,000 for parks and recreational facilities and for the refunding such bonds; and $54,310,000 for road improvements and for the refunding such bonds.

Additionally, as further discussed in Note 12, the District is obligated to pay its pro-rata share of joint facilities to Harris County Municipal Utility District No. 400 ("MUD 400"). The District's obligation to MUD 400 on July 31, 2023 and 2022, is as follows:

	2024	2023
Principal Amount	$ 5,638,069	$ 5,720,953

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:

	2024 Actual	2025 Budget
Total revenues	$ 4,672,066	$ 4,360,000
Total expenditures	(2,854,667)	(2,743,206)
Revenues over expenditures	1,817,399	1,616,794
Beginning fund balance	4,220,339	6,037,738
Ending fund balance	$ 6,037,738	$ 7,654,532

Property Taxes

The District's property tax base increased approximately $26,981,000 for the 2024 tax year from $401,833,532 to $428,814,818. This increase was primarily due to increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of $0.47 per $100 of assessed value, a water, sewer and drainage debt service tax rate of $0.70 per $100 of assessed value and a road debt service tax rate of $0.12 per $100 assessed value, for a total combined tax rate of $1.29 per $100 of assessed value. Tax rates for the 2023 tax year were $0.72 per $100 for maintenance and operations, $0.47 per $100 for water, sewer and drainage debt service, and $0.10 per $100 for road debt service for a combined total of $1.29 per $100 of assessed value.

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Basic Financial Statements

Harris County Municipal Utility District No. 423
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 157,414	$ 95,373	$ 370	$ 253,157	$ -	$ 253,157
Investments	6,315,986	1,646,041	318,988	8,281,015		8,281,015
Taxes receivable	54,489	56,949		111,438		111,438
Customer service receivables	210,638			210,638		210,638
Internal balances	161,554	(41,681)	(119,873)			
Prepaid items	10,478			10,478		10,478
Other receivables	52,616			52,616		52,616
Prepaid bond insurance, net					429,238	429,238
Capital assets not being depreciated					3,374,934	3,374,934
Capital assets, net					45,039,279	45,039,279
Total Assets	$ 6,963,175	$ 1,756,682	$ 199,485	$ 8,919,342	48,843,451	57,762,793
Liabilities						
Accounts payable	$ 556,355	$ -	$ 4,175	$ 560,530		560,530
Other payables	69,060	5,406		74,466		74,466
Customer deposits	149,826			149,826		149,826
Builder deposits	86,700			86,700		86,700
Unearned revenue	9,007			9,007		9,007
Accrued interest payable		17,487		17,487	760,589	778,076
Due to developers					11,913,399	11,913,399
Long-term debt						
Due within one year					975,000	975,000
Due after one year					62,187,899	62,187,899
Contractual obligation						
Due within one year					242,255	242,255
Due after one year					5,395,814	5,395,814
Total Liabilities	870,948	22,893	4,175	898,016	81,474,956	82,372,972
Deferred Inflows of Resources						
Deferred property taxes	54,489	56,949		111,438	(111,438)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	10,478			10,478	(10,478)	
Restricted		1,676,840	195,310	1,872,150	(1,872,150)	
Unassigned	6,027,260			6,027,260	(6,027,260)	
Total Fund Balances	6,037,738	1,676,840	195,310	7,909,888	(7,909,888)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,963,175	$ 1,756,682	$ 199,485	$ 8,919,342		
Net Position						
Net investment in capital assets					(15,047,041)	(15,047,041)
Restricted for debt service					1,733,789	1,733,789
Unrestricted					(11,296,927)	(11,296,927)
Total Net Position					$ (24,610,179)	$ (24,610,179)

See notes to basic financial statements.

Harris County Municipal Utility District No. 423
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended July 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	$ 444,057	$ -	$ -	$ 444,057	$ -	$ 444,057
Sewer service	739,084			739,084		739,084
Property taxes	2,862,685	2,263,184		5,125,869	49,448	5,175,317
Penalties and interest	27,767	42,880		70,647	10,475	81,122
Tap connection and inspection	320,430			320,430		320,430
Miscellaneous	10,520			10,520		10,520
Investment earnings	267,523	81,023	13,971	362,517		362,517
Total Revenues	4,672,066	2,387,087	13,971	7,073,124	59,923	7,133,047
Expenditures/Expenses						
Current service operations						
Purchased services	1,355,341			1,355,341		1,355,341
Professional fees	260,792	9,522	28,552	298,866		298,866
Contracted services	440,201	66,757		506,958		506,958
Repairs and maintenance	296,163			296,163		296,163
Utilities	4,495			4,495		4,495
Administrative	42,037	3,794		45,831		45,831
Other	7,069	50	120	7,239		7,239
Capital outlay	156,450		4,853,693	5,010,143	(5,010,143)	
Debt service						
Principal		485,000		485,000	(485,000)	
Interest and fees		1,994,350		1,994,350	124,314	2,118,664
Developer interest			724,341	724,341		724,341
Debt issuance costs			481,031	481,031		481,031
Intergovernmental						
Contractual obligations	292,119			292,119	(82,884)	209,235
Depreciation and amortization					1,454,005	1,454,005
Total Expenditures/Expenses	2,854,667	2,559,473	6,087,737	11,501,877	(3,999,708)	7,502,169
Revenues Over/(Under) Expenditures	1,817,399	(172,386)	(6,073,766)	(4,428,753)	4,428,753	
Other Financing Sources						
Proceeds from sale of bonds			6,065,000	6,065,000	(6,065,000)	
Net Change in Fund Balances	1,817,399	(172,386)	(8,766)	1,636,247	(1,636,247)	
Change in Net Position					(369,122)	(369,122)
Fund Balance/Net Position						
Beginning of the year (See Note 3)	4,220,339	1,849,226	204,076	6,273,641	(30,514,698)	(24,241,057)
End of the year	$ 6,037,738	$ 1,676,840	$ 195,310	$ 7,909,888	$ (32,520,067)	$ (24,610,179)

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. 423 (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 December 12, 2006, and operates in accordance with Article 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on July 23, 2015, and the first bonds were issued on April 1, 2020.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District is responsible for providing water, sewer and drainage facilities within the District. 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, drainage and road improvements.

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.

Prepaid Bond Insurance

Prepaid bond insurance reduces the District's borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

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 July 31, 2024, 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 that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Landscaping improvements	20 years
Interest in joint facilities	40 years (max)
Impact fees	40 years (max)

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

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.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 developers; and the value of capital assets for which the developers have not been fully reimbursed. 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		$ 7,909,888
Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.		429,238
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 54,455,206	
Less accumulated depreciation/amortization	(6,040,993)	
Change due to capital assets		48,414,213
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	(63,162,899)	
Contractual obligatons	(5,638,069)	
Interest payable on bonds	(760,589)	
Change due to long-term debt		(69,561,557)
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(11,913,399)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		111,438
Total net position - governmental activities		$ (24,610,179)

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		$ 1,636,247
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.		59,923
Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 5,010,143	
Depreciation and amortization expense	(1,454,005)	
		3,556,138
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.		
Issuance of long-term debt	(6,065,000)	
Contractual obligatons	82,884	
Principal payments	485,000	
Interest expense accrual	(124,314)	
		(5,621,430)
Change in net position of governmental activities		$ (369,122)

Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District's acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position.*

Note 3 – Implementation of New Accounting Guidance (continued)

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded an adjustment to recognize $691,526 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management's Discussion and Analysis and supplementary schedules were not restated.

The effect of the implementation of the new accounting guidance on the District's beginning net position is as follows:

Beginning Net Position, as reported	$ (24,932,583)
Change due to implementation of new accounting guidance	691,526
Beginning Net Position, as restated	$ (24,241,057)

Note 4 – 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 4 – 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 July 31, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 460,000	6%	N/A	N/A
TexSTAR	General	5,855,986			
	Debt Service	1,646,041			
	Capital Projects	318,988			
		7,821,015	94%	AAAm	33 days
Total		$ 8,281,015	100%		

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

TexSTAR

The Texas Short Term Asset Reserve fund ("TexSTAR") is managed by Hilltop Securities, 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.

Note 4 – Deposits and Investments (continued)

TexSTAR (continued)

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. 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 5 – Interfund Balances and Transactions

Amounts due to/from other funds at July 31, 2024, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 41,681	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	119,873	Bond application fees paid by the General Fund

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

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 3,175,284	$ 199,650	$ 3,374,934
Capital assets being depreciated/amortized			
Infrastructure	26,999,601	156,450	27,156,051
Interest in joint facilities	16,860,934		16,860,934
Landscaping improvements	6,653,334	409,953	7,063,287
	50,513,869	566,403	51,080,272
Less accumulated depreciation/amortization			
Infrastructure	(2,560,054)	(690,400)	(3,250,454)
Interest in joint facilities	(1,311,459)	(426,605)	(1,738,064)
Landscaping improvements	(715,475)	(337,000)	(1,052,475)
	(4,586,988)	(1,454,005)	(6,040,993)
Subtotal depreciable capital assets, net	45,926,881	(887,602)	45,039,279
Capital assets, net	$ 49,102,165	$ (687,952)	$ 48,414,213

Depreciation/amortization expense for the current fiscal year was $1,454,005.

As discussed in Note 3, the District recorded an adjustment to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. 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.

The District's developers have also advanced funds to the District for operating expenses.

Note 7 – Due to Developers (continued)

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

Due to developers, beginning of year	$	16,157,488
Developer funded construction and adjustments		609,604
Developer reimbursements		(4,853,693)
Due to developers, end of year	$	11,913,399

In addition, the District will owe the developers approximately $1,220,331, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

		Contract Amount	Percent Complete
Balmoral Section 27 utilities and paving *	$	1,020,111	99%
Balmoral Section 27 landscape improvements		200,220	13%
	$	1,220,331	

* District's share

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$	62,955,000
Unamortized premium		207,899
	$	63,162,899
Due within one year	$	975,000

Note 8 – Long-Term Debt (continued)

The District's bonds payable at July 31, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2020 Road	$ 5,975,000	$ 6,110,000	2.00% - 4.50%	April 1, 2024/2050	October 1, April 1	April 1, 2025
2021	15,650,000	16,000,000	2.00% - 4.50%	April 1, 2024/2050	October 1, April 1	April 1, 2028
2022	17,010,000	17,010,000	2.50% - 5.50%	April 1, 2025/2050	October 1, April 1	April 1, 2029
2022A	13,675,000	13,675,000	4.25% - 7.25%	April 1, 2026/2051	October 1, April 1	April 1, 2028
2023 Road	4,580,000	4,580,000	4.00% - 7.00%	April 1, 2027/2051	October 1, April 1	April 1, 2029
2024 Park	6,065,000	6,065,000	4.00% - 6.50%	April 1, 2028/2053	October 1, April 1	April 1, 2029
	$ 62,955,000					

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 July 31, 2024, the District had authorized but unissued bonds in the amount of $135,315,000 for water, sewer and drainage facilities and for the refunding such bonds; $13,435,000 for park and recreational facilities and for the refunding such bonds; and $54,310,000 for road improvements and for the refunding such bonds.

On April 25, 2024, the District issued its $6,065,000 Series 2024 Unlimited Tax Park Bonds at a net effective interest rate of 4.317983%. Proceeds of the bonds were used to reimburse developers for landscaping improvements, including land acquisitions and engineering costs, plus developer interest at the net effective interest rate of the bonds.

Note 8 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	$ 57,375,000
Bonds issued	6,065,000
Bonds retired	(485,000)
Bonds payable, end of year	$ 62,955,000

As of July 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	$ 975,000	$ 2,266,355	$ 3,241,355
2026	1,300,000	2,218,230	3,518,230
2027	1,400,000	2,146,980	3,546,980
2028	1,525,000	2,068,730	3,593,730
2029	1,675,000	1,985,106	3,660,106
2030	1,725,000	1,904,106	3,629,106
2031	1,775,000	1,826,230	3,601,230
2032	1,875,000	1,753,731	3,628,731
2033	1,925,000	1,682,981	3,607,981
2034	2,000,000	1,622,606	3,622,606
2035	2,075,000	1,559,856	3,634,856
2036	2,125,000	1,493,982	3,618,982
2037	2,225,000	1,426,231	3,651,231
2038	2,325,000	1,356,513	3,681,513
2039	2,375,000	1,282,950	3,657,950
2040	2,500,000	1,207,450	3,707,450
2041	2,600,000	1,126,889	3,726,889
2042	2,675,000	1,041,512	3,716,512
2043	2,775,000	953,293	3,728,293
2044	2,875,000	860,856	3,735,856
2045	3,000,000	763,887	3,763,887
2046	3,150,000	662,077	3,812,077
2047	3,250,000	554,670	3,804,670
2048	3,375,000	449,107	3,824,107
2049	3,500,000	339,514	3,839,514
2050	3,610,000	224,138	3,834,138
2051	1,555,000	104,387	1,659,387
2052	375,000	32,588	407,588
2053	415,000	17,119	432,119
	$ 62,955,000	$ 34,932,074	$ 97,887,074

Note 9 – Property Taxes

On May 6, 2017, 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 voters also authorized the District's Board of Directors to levy a road maintenance tax limited to $0.25 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.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of $1.29 per $100 of assessed value, of which $0.72 was allocated to maintenance and operations, $0.47 was allocated to debt service, and $0.10 was allocated to road debt service. The resulting tax levy was $5,183,654 on the adjusted taxable value of $401,833,532.

Property taxes receivable, at July 31, 2024, consisted of the following:

Current year taxes receivable	$ 72,729
Prior years taxes receivable	18,944
	91,673
Penalty and interest receivable	19,765
Property taxes receivable	$ 111,438

Note 10 – Water Facilities Agreement

On December 18, 2017, the District entered into a Water Facilities Agreement with Harris County Municipal Utility District No. 400 ("MUD 400"), later amended on May 23, 2022, for the expansion of MUD 400's water system for the benefit of the parties (the "Expansion"). The term of the agreement is 40 years, automatically renewable for additional terms of 10 years.

MUD 400 has been designated project manager for the Expansion. Each party will be responsible for its share of the design and construction cost of the Expansion based on its pro-rata share of the proposed equivalent single-family connections ("ESFCs") to be served by the Expansion. The District has agreed that MUD 400 shall hold legal title to the facilities, with the District having an undivided equitable interest. The District's proportionate share of the Expansion is 39.10%. During the current year, the District paid $739,865 for purchased water.

Note 11 – Regional Wastewater Treatment Plant Agreement

The District, MUD 400, Harris County Municipal Utility District No. 499, Harris County Municipal Utility District No. 422 ("MUD 422") and Harris County Fresh Water Supply District No. 48 (the "Parties") entered into a Regional Wastewater Treatment Plant Agreement (the "WWTP Agreement"), which was effective July 1, 2008, as amended July 1, 2013 and November 1, 2021, to provide regional wastewater treatment services for the Parties ongoing development. The Parties have constructed an interim wastewater treatment plant (the "Interim Plant") to treat approximately 200,000 gallons per day (gpd) which was expanded to 600,000 gpd. MUD 400 has been designated project manager for the Interim Plant.

The District is billed monthly based on its pro-rata share of fixed expenses and variable costs. The District's proportionate share of the Existing Plant is 13.5%. During the current year, the 850,000 gpd expansion was completed. The District's proportionate share in the Plant after the completions was 28.67%. During the current year, the District paid $615,477 for purchased sewer services.

On November 1, 2021, the District entered into a Second Amended and Restated Wastewater Treatment Plant Agreement to expand the facilities to treat approximately 1,400,000 gdp. Each district's proportionate share of cost is based on the number of equivalent single-family connections reserved for the district. Each participating district is responsible for its proportionate share of costs to construct the expansion. The District's proportionate share of estimated construction costs is $6,253,841, which was partially financed with an up-front payment of $2,483,841. The District's remaining obligation is amortized annually as discussed below.

On January 14, 2024, the District entered into a First Amendment to Second Amended and Restated Regional Wastewater Treatment Plant Agreement whereby MUD 422 purchased 7,875 gpd, equivalent to 35 equivalent single-family connections ("ESFCs"), of capacity in the plant from MUD 400. After the MUD 422's purchase of capacity from the plant, the District's proportionate share will remain at 28.67%.

MUD 400 Debt

On April 25, 2022, MUD 400 issued its $16,930,000 Series 2022 Unlimited Tax Bonds as part of a plan to finance the design the construction of the 850,000 gpd expansion. The District is obligated to contribute annually to the payment of MUD 400's debt service requirements based on its allocated share of capacity in the expansion. Each annual payment will be made on the June 30th in each of the years through 2042.

Note 11 – Regional Wastewater Treatment Plant Agreement (continued)

MUD 400 Debt (continued)

The District's future annual obligation to MUD 400 for the debt service requirements (principal and interest) for each of the next five years and in five-year increments thereafter is as follows:

Year	Principal	Interest	Total
2025	$ 160,000	$ 204,795	$ 364,795
2026	165,000	195,776	360,776
2027	170,000	186,480	356,480
2028	175,000	176,906	351,906
2029	175,000	167,194	342,194
2029 - 2033	945,000	682,789	1,627,789
2034 - 2038	1,050,000	406,538	1,456,538
2039 - 2043	930,000	104,617	1,034,617
	$ 3,770,000	$ 2,125,095	$ 5,895,095

Note 12 – Contractual Obligations

As discussed in Note 11 and 14, the District has entered into agreements with MUD 400 for the construction of certain joint facilities.

Pursuant to the joint drainage facilities agreement, the District has a remaining contractual obligation of $1,868,069 for its pro-rata share of certain drainage facilities. As further discussed in Note 13, the District is required to make annual payments to MUD 400.

Pursuant to the regional wastewater treatment plant agreement the District has a contractual obligation to pay its pro-rata share of debt service requirements on bonds issued by MUD 400 to finance the construction of the regional wastewater treatment plant expansion. As further discussed in Note 11, the District is required to make annual payments to MUD 400.

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

	Joint Drainage Facilities	Joint Wastewater Facilities	Total
Contractual obligations, beginning of year	$ 1,950,953	$ 3,770,000	$ 5,720,953
Decrease in contractual obligations	(82,884)		(82,884)
Contractual obligations, end of year	$ 1,868,069	$ 3,770,000	$ 5,638,069
Contractual obligations, due within one year	$ 82,255	$ 160,000	$ 242,255

Note 13 – Joint Drainage Facilities Agreement

On May 1st, 2019, the District entered into an agreement for Joint Financing, Design, Construction and Maintenance of drainage facilities with MUD 400 for the directed flow of storm water from the District into the joint use facilities. The term of the agreement is 40 years, automatically renewable for additional terms of 5 years.

MUD 400 is responsible for the operation and maintenance of the joint use facilities and the District is responsible for the operation and maintenance of its internal system. The District has agreed to pay MUD 400 its pro-rata share of the construction costs of the joint use facilities in the amount of $2,482,872 based on total acreage of the land being drained. The District agrees to make such payments in annual installments no later than December 31st of each year. During the current fiscal year, the District paid $82,884 to MUD 400.

The District's future annual obligation to MUD 400 for its pro-rata share of joint facilities construction costs is as follows:

Year	Amount
2025	$ 82,255
2026	1,785,814
	$ 1,868,069

Note 14 – Joint Lift Station Agreements

Balmoral Lift Station

On March 23, 2020, the District and MUD 400 entered into that certain Agreement for Joint Financing, Design, Construction and Maintenance of Lift Station for the expansion of a sanitary sewer lift station previously constructed by MUD 400 (the "Balmoral Lift Station"). The term of the agreement is 40 years, automatically renewable for additional terms of 5 years. MUD 400 shall hold legal title to the facilities, with each district having an undivided equitable interest. Each party was responsible for its share of the design and construction cost of the facilities based on its pro-rata share of the proposed total number of gallons per day served by the facilities. The District's proportionate share of the Balmoral Lift Station is 38.92% and the District paid $528,182 to MUD 400 for its share of construction costs.

MUD 400 is responsible for the operation and maintenance of the Balmoral Lift Station. Each party may be billed monthly for its share of fixed costs based on its pro-rata share of the total gallons per day served by the facilities and may be billed monthly for variable expenses based on its pro-rata share of the total gallons per day served by the facilities during the calendar month. The District has not yet been invoiced by MUD 400 for any operation and maintenance costs of the Balmoral Lift Station.

Note 14 – Joint Lift Station Agreements (continued)

Lift Station 3

On August 17, 2020, the District and MUD 400 entered into that certain Agreement for Joint Financing, Design, Construction and Maintenance of Lift Station No. 3 for the construction of a lift station (the "Lift Station 3"). The term of the agreement is 40 years, automatically renewable for additional terms of 5 years. Each party was responsible for its share of the design and construction costs based on its pro-rata share of the proposed ultimate capacity to be served by the facilities. The District shall hold legal title to the facilities, with each district having an undivided equitable interest. The District's proportionate share of Lift Station 3 is 96.49% and MUD 400 paid $23,377 for its share of construction costs.

The District is responsible for the operation and maintenance of the Lift Station 3. Each party may be billed monthly for its share of fixed costs based on its pro-rata share of the total number of ESFCs and may be billed monthly for variable expenses based on its pro-rata share of the total number of active ESFCs during the calendar month. The District has not yet invoiced MUD 400 for any operation and maintenance costs of Lift Station 3.

Note 15 – 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.

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Required Supplementary Information

Harris County Municipal Utility District No. 423
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended July 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 475,000	$ 444,057	$ (30,943)
Sewer service	600,000	739,084	139,084
Property taxes	2,900,000	2,862,685	(37,315)
Penalties and interest	20,000	27,767	7,767
Tap connection and inspection	205,000	320,430	115,430
Miscellaneous		10,520	10,520
Investment earnings	80,000	267,523	187,523
Total Revenues	4,280,000	4,672,066	392,066
Expenditures			
Current service operations			
Purchased services	908,000	1,355,341	(447,341)
Professional fees	217,000	260,792	(43,792)
Contracted services	343,500	440,201	(96,701)
Repairs and maintenance	305,000	296,163	8,837
Utilities	6,500	4,495	2,005
Administrative	65,200	42,037	23,163
Other	8,000	7,069	931
Capital outlay		156,450	(156,450)
Intergovernmental			
Contractual obligations	313,852	292,119	21,733
Total Expenditures	2,167,052	2,854,667	(687,615)
Revenues Over Expenditures	2,112,948	1,817,399	(295,549)
Fund Balance			
Beginning of the year	4,220,339	4,220,339	
End of the year	$ 6,333,287	$ 6,037,738	$ (295,549)

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

Harris County Municipal Utility District No. 423
TSI-1. Services and Rates
July 31, 2024

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	[ ] Irrigation
[X] Parks / Recreation	[ ] Fire Protection	[ ] Roads	[ ] Security

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

[ ] Other (Specify): ______

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 18.00	10,000	N	$ 1.00	10,001	to	15,000
				$ 2.00	15,001	to	20,000
				$ 3.00	20,001	to	25,000
				$ 4.00	25,001	to	no limit
Wastewater:	$ 45.00	- 0 -	Y			to	

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

Total charges per 10,000 gallons usage: Water $ 18.00 Wastewater $ 45.00

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"	1,344	1,335	x 1.0	1,335
1"	56	56	x 2.5	140
1.5"			x 5.0	
2"	34	34	x 8.0	272
3"			x 15.0	
4"			x 25.0	
6"	3	3	x 50.0	150
8"	1	1	x 80.0	80
Total Water	1,438	1,429		1,977
Total Wastewater	1,392	1,383	x 1.0	1,383

See accompanying auditor's report.

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

Gallons purchased from Harris County MUD 400:	350,857,000	Water Accountability Ratio: (Gallons billed / Gallons purchased)
Gallons billed to customers:	337,486,000	96.19%

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

County in which the District is located: Harris County

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

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

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

Entirely [X] 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 [X]

If Yes, by whom? ______

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-2. General Fund Expenditures
For the Year Ended July 31, 2024

Purchased services	$ 1,355,341
Professional fees	
Legal	71,157
Audit	26,200
Engineering	163,435
	260,792
Contracted services	
Bookkeeping	30,600
Operator	76,421
Garbage collection	310,003
Tap connection and inspection	23,177
	440,201
Repairs and maintenance	296,163
Utilities	4,495
Directors fees	12,797
Printing and office supplies	9,134
Insurance	10,022
Other	10,084
	42,037
Other	7,069
Capital outlay	156,450
Intergovernmental	
Contractual obligations	292,119
Total expenditures	$ 2,854,667

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-3. Investments
July 31, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexSTAR	Variable	N/A	$ 5,855,986	$ -
Certificates of deposit	5.50%	04/26/25	230,000	3,327
Certificates of deposit	5.54%	09/27/24	230,000	10,752
			6,315,986	14,079
Debt Service				
TexSTAR	Variable	N/A	1,366,005	
TexSTAR	Variable	N/A	280,036	
			1,646,041	
Capital Projects				
TexSTAR	Variable	N/A	204,840	
TexSTAR	Variable	N/A	20,429	
TexSTAR	Variable	N/A	93,719	
			318,988	
Total - All Funds			$ 8,281,015	$ 14,079

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-4. Taxes Levied and Receivable
July 31, 2024

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 29,791	$ 10,491	$ 1,944	$ 42,226
Adjustments to Prior Year Tax Levy	(5,618)	(2,453)	(266)	(8,337)
Adjusted Receivable	24,173	8,038	1,678	33,889
2023 Original Tax Levy	2,432,719	1,588,025	337,878	4,358,622
Adjustments	460,483	300,593	63,956	825,032
Adjusted Tax Levy	2,893,202	1,888,618	401,834	5,183,654
Total to be accounted for	2,917,375	1,896,656	403,512	5,217,543
Tax collections:				
Current year	2,852,609	1,862,120	396,196	5,110,925
Prior years	10,277	3,808	860	14,945
Total Collections	2,862,886	1,865,928	397,056	5,125,870
Taxes Receivable, End of Year	$ 54,489	$ 30,728	$ 6,456	$ 91,673
Taxes Receivable, By Year				
2023	$ 40,593	$ 26,498	$ 5,638	$ 72,729
2022	7,078	3,298	322	10,698
2021	6,818	932	496	8,246
Taxes Receivable, End of Year	$ 54,489	$ 30,728	$ 6,456	$ 91,673

	2023	2022	2021	2020
Property Valuations:				
Land	$ 68,382,679	$ 67,110,963	$ 50,458,214	$ 36,247,035
Improvements	380,866,986	282,311,888	132,137,336	55,675,318
Personal Property	2,210,818	550,919	549,703	282,083
Exemptions	(49,626,951)	(32,107,151)	(10,562,060)	(3,377,160)
Total Property Valuations	$ 401,833,532	$ 317,866,619	$ 172,583,193	$ 88,827,276
Tax Rates per $100 Valuation:				
Maintenance tax rates*	$ 0.72	$ 0.88	$ 1.10	$ 1.11
Debt service tax rates	0.47	0.41	0.15	
Road debt service tax rates	0.10	0.04	0.08	0.25
Total Tax Rates per $100 Valuation	$ 1.29	$ 1.33	$ 1.33	$ 1.36
Adjusted Tax Levy:	$ 5,183,654	$ 4,227,626	$ 2,295,356	$ 1,208,051
Percentage of Taxes Collected to Taxes Levied ***	98.60%	99.75%	99.64%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 6, 2017

** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 6, 2017

*** 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. 423
TSI-5. Long-Term Debt Service Requirements
Series 2020 Road--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	$ 150,000	$ 146,750	$ 296,750
2026	150,000	140,000	290,000
2027	150,000	133,250	283,250
2028	175,000	126,500	301,500
2029	175,000	118,625	293,625
2030	175,000	110,750	285,750
2031	175,000	107,250	282,250
2032	200,000	103,750	303,750
2033	200,000	99,750	299,750
2034	200,000	95,750	295,750
2035	200,000	91,750	291,750
2036	200,000	87,750	287,750
2037	225,000	83,750	308,750
2038	225,000	79,250	304,250
2039	225,000	74,750	299,750
2040	250,000	70,250	320,250
2041	250,000	64,938	314,938
2042	250,000	59,625	309,625
2043	275,000	54,000	329,000
2044	275,000	47,813	322,813
2045	275,000	41,624	316,624
2046	300,000	35,438	335,438
2047	300,000	28,687	328,687
2048	325,000	21,938	346,938
2049	325,000	14,625	339,625
2050	325,000	7,312	332,312
	$ 5,975,000	$ 2,045,875	$ 8,020,875

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	$ 400,000	$ 372,562	$ 772,562
2026	400,000	354,562	754,562
2027	400,000	336,562	736,562
2028	400,000	318,562	718,562
2029	450,000	300,562	750,562
2030	450,000	291,562	741,562
2031	475,000	282,562	757,562
2032	500,000	273,063	773,063
2033	500,000	263,063	763,063
2034	525,000	253,063	778,063
2035	550,000	242,563	792,563
2036	550,000	231,563	781,563
2037	575,000	220,563	795,563
2038	600,000	209,063	809,063
2039	600,000	197,063	797,063
2040	650,000	185,063	835,063
2041	650,000	172,063	822,063
2042	675,000	158,250	833,250
2043	700,000	143,906	843,906
2044	725,000	128,156	853,156
2045	750,000	111,844	861,844
2046	775,000	94,969	869,969
2047	800,000	77,531	877,531
2048	825,000	59,531	884,531
2049	850,000	40,969	890,969
2050	875,000	20,781	895,781
	$ 15,650,000	$ 5,340,001	$ 20,990,001

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	$ 425,000	$ 568,906	$ 993,906
2026	450,000	545,531	995,531
2027	450,000	520,781	970,781
2028	450,000	496,031	946,031
2029	475,000	471,281	946,281
2030	500,000	445,156	945,156
2031	500,000	417,656	917,656
2032	525,000	397,656	922,656
2033	550,000	381,906	931,906
2034	575,000	365,406	940,406
2035	575,000	348,156	923,156
2036	600,000	330,906	930,906
2037	625,000	312,906	937,906
2038	650,000	294,156	944,156
2039	675,000	274,656	949,656
2040	700,000	254,406	954,406
2041	725,000	233,406	958,406
2042	750,000	211,656	961,656
2043	750,000	189,156	939,156
2044	775,000	166,656	941,656
2045	800,000	142,438	942,438
2046	850,000	117,438	967,438
2047	875,000	90,876	965,876
2048	900,000	69,001	969,001
2049	925,000	46,501	971,501
2050	935,000	23,376	958,376
	$ 17,010,000	$ 7,716,000	$ 24,726,000

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-5. Long-Term Debt Service Requirements
Series 2022A--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	$ -	$ 703,281	$ 703,281
2026	300,000	703,281	1,003,281
2027	300,000	681,531	981,531
2028	300,000	659,781	959,781
2029	325,000	640,281	965,281
2030	350,000	619,156	969,156
2031	350,000	598,156	948,156
2032	375,000	577,156	952,156
2033	400,000	554,656	954,656
2034	400,000	537,656	937,656
2035	425,000	520,156	945,156
2036	450,000	501,031	951,031
2037	475,000	480,781	955,781
2038	475,000	458,813	933,813
2039	500,000	436,250	936,250
2040	525,000	412,500	937,500
2041	550,000	386,250	936,250
2042	575,000	358,750	933,750
2043	600,000	330,000	930,000
2044	625,000	300,000	925,000
2045	675,000	268,750	943,750
2046	700,000	235,000	935,000
2047	725,000	200,000	925,000
2048	750,000	163,750	913,750
2049	800,000	126,250	926,250
2050	850,000	86,250	936,250
2051	875,000	43,750	918,750
	$ 13,675,000	$ 11,583,216	$ 25,258,216

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	$ -	$ 212,550	$ 212,550
2026		212,550	212,550
2027	100,000	212,550	312,550
2028	100,000	205,550	305,550
2029	125,000	198,550	323,550
2030	125,000	189,800	314,800
2031	125,000	181,050	306,050
2032	125,000	172,300	297,300
2033	125,000	163,550	288,550
2034	150,000	156,675	306,675
2035	150,000	149,175	299,175
2036	150,000	141,675	291,675
2037	150,000	134,175	284,175
2038	175,000	128,175	303,175
2039	175,000	121,175	296,175
2040	175,000	114,175	289,175
2041	200,000	107,175	307,175
2042	200,000	99,175	299,175
2043	200,000	91,175	291,175
2044	225,000	83,175	308,175
2045	225,000	74,175	299,175
2046	225,000	65,175	290,175
2047	250,000	55,894	305,894
2048	250,000	45,581	295,581
2049	275,000	35,269	310,269
2050	275,000	23,925	298,925
2051	305,000	12,581	317,581
	$ 4,580,000	$ 3,386,975	$ 7,966,975

See accompanying auditors' report.

Harris County Municipal Utility District No. 423
TSI-5. Long-Term Debt Service Requirements
Series 2024 Park--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	$ -	$ 262,306	$ 262,306
2026		262,306	262,306
2027		262,306	262,306
2028	100,000	262,306	362,306
2029	125,000	255,807	380,807
2030	125,000	247,682	372,682
2031	150,000	239,556	389,556
2032	150,000	229,806	379,806
2033	150,000	220,056	370,056
2034	150,000	214,056	364,056
2035	175,000	208,056	383,056
2036	175,000	201,057	376,057
2037	175,000	194,056	369,056
2038	200,000	187,056	387,056
2039	200,000	179,056	379,056
2040	200,000	171,056	371,056
2041	225,000	163,057	388,057
2042	225,000	154,056	379,056
2043	250,000	145,056	395,056
2044	250,000	135,056	385,056
2045	275,000	125,056	400,056
2046	300,000	114,057	414,057
2047	300,000	101,682	401,682
2048	325,000	89,306	414,306
2049	325,000	75,900	400,900
2050	350,000	62,494	412,494
2051	375,000	48,056	423,056
2052	375,000	32,588	407,588
2053	415,000	17,119	432,119
	$ 6,065,000	$ 4,860,007	$ 10,925,007

See accompanying auditors' report.

Harris County Municipal Utility District No. 423
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2025	$ 975,000	$ 2,266,355	$ 3,241,355
2026	1,300,000	2,218,230	3,518,230
2027	1,400,000	2,146,980	3,546,980
2028	1,525,000	2,068,730	3,593,730
2029	1,675,000	1,985,106	3,660,106
2030	1,725,000	1,904,106	3,629,106
2031	1,775,000	1,826,230	3,601,230
2032	1,875,000	1,753,731	3,628,731
2033	1,925,000	1,682,981	3,607,981
2034	2,000,000	1,622,606	3,622,606
2035	2,075,000	1,559,856	3,634,856
2036	2,125,000	1,493,982	3,618,982
2037	2,225,000	1,426,231	3,651,231
2038	2,325,000	1,356,513	3,681,513
2039	2,375,000	1,282,950	3,657,950
2040	2,500,000	1,207,450	3,707,450
2041	2,600,000	1,126,889	3,726,889
2042	2,675,000	1,041,512	3,716,512
2043	2,775,000	953,293	3,728,293
2044	2,875,000	860,856	3,735,856
2045	3,000,000	763,887	3,763,887
2046	3,150,000	662,077	3,812,077
2047	3,250,000	554,670	3,804,670
2048	3,375,000	449,107	3,824,107
2049	3,500,000	339,514	3,839,514
2050	3,610,000	224,138	3,834,138
2051	1,555,000	104,387	1,659,387
2052	375,000	32,588	407,588
2053	415,000	17,119	432,119
	$ 62,955,000	$ 34,932,074	$ 97,887,074

See accompanying auditor's report.

Harris County Municipal Utility District No. 423
TSI-6. Change in Long-Term Bonded Debt
July 31, 2024

	Bond Issue			
	Series 2020 Road	Series 2021	Series 2022	Series 2022A
Interest rate	2.00% - 4.50%	2.00% - 4.50%	2.50% - 5.50%	4.25% - 7.25%
Dates interest payable	10/1; 4/1	10/1; 4/1	10/1; 4/1	10/1; 4/1
Maturity dates	4/1/24 - 4/1/50	4/1/24 - 4/1/50	4/1/25 - 4/1/50	4/1/26 - 4/1/51
Beginning bonds outstanding	$ 6,110,000	$ 16,000,000	$ 17,010,000	$ 13,675,000
Bonds issued				
Bonds retired	(135,000)	(350,000)		
Ending bonds outstanding	$ 5,975,000	$ 15,650,000	$ 17,010,000	$ 13,675,000
Interest paid during fiscal year	$ 152,825	$ 388,312	$ 568,906	$ 703,281

Paying agent's name and city	
Series 2024 Park	The Bank of New York Mellon Trust Company, N.A., Houston, TX
All other series	The Bank of New York Mellon Trust Company, N.A., Dallas, TX

Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds
Amount Authorized by Voters	$ 148,990,000	$ 19,500,000	$ 58,890,000
Amount Issued	(13,675,000)	(6,065,000)	(4,580,000)
Remaining To Be Issued	$ 135,315,000	$ 13,435,000	$ 54,310,000

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 July 31, 2024:	$ 1,741,414
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 3,375,416

See accompanying auditor's report.

Bond Issue		
Series 2023 Road	Series 2024 Park	Totals
4.00% - 7.00%	4.00% - 6.50%	
10/1; 4/1	10/1; 4/1	
4/1/27 - 4/1/51	4/1/28 - 4/1/53	
$ 4,580,000	$ -	$ 57,375,000
	6,065,000	6,065,000
		(485,000)
$ 4,580,000	$ 6,065,000	$ 62,955,000
$ 194,838	$ -	$ 2,008,162

Harris County Municipal Utility District No. 423
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Water service	$ 444,057	$ 420,065	$ 323,431	$ 190,309	$ 107,304
Sewer service	739,084	680,424	563,829	316,801	125,452
Property taxes	2,862,685	2,821,548	1,883,078	974,983	337101
Penalties and interest	27,767	23,971	17,252	17,567	5,750
Tap connection and inspection	320,430	257,168	605,096	1,045,420	436,540
Miscellaneous	10,520	17,943	10,563	2,558	3,713
Investment earnings	267,523	142,593	6,995	462	1,905
Total Revenues	4,672,066	4,363,712	3,410,244	2,548,100	1,017,765
Expenditures					
Current service operations					
Purchased services	1,355,341	1,388,347	544,833	500,474	295,698
Professional fees	260,792	167,821	154,921	167,109	275,082
Contracted services	440,201	567,243	567,922	636,208	256,566
Repairs and maintenance	296,163	303,658	294,578	372,595	215,648
Utilities	4,495	4,365	5,015	3,560	1,852
Administrative	42,037	46,993	37,933	37,850	23,467
Other	7,069	4,297	3,917	9,609	15,850
Capital outlay	156,450		151,035	139,808	3,408,544
Intergovernmental					
Contractual obligations	292,119	188,129	139,355		
Total Expenditures	2,854,667	2,670,853	1,899,509	1,867,213	4,492,707
Revenues Over/(Under) Expenditures	$ 1,817,399	$ 1,692,859	$ 1,510,735	$ 680,887	$ (3,474,942)
Total Active Retail Water Connections	1,429	1,291	1,229	991	374
Total Active Retail Wastewater Connections	1,383	1,246	1,200	963	365

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
10%	10%	7%	11%	11%
16%	16%	12%	12%	11%
60%	64%	38%	33%	20%
1%	1%	1%	1%	*
7%	6%	42%	43%	57%
*	*	*	*	1%
6%	3%	*	*	*
100%	100%	100%	100%	100%
29%	32%	16%	20%	29%
6%	4%	5%	7%	27%
9%	13%	17%	25%	25%
6%	7%	9%	15%	21%
*	*	*	*	*
1%	1%	1%	1%	2%
*	*	*	*	2%
3%		4%	5%	335%
6%	4%	4%		
60%	61%	56%	73%	441%
40%	39%	44%	27%	(341%)

Harris County Municipal Utility District No. 423
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	$ 2,263,184	$ 1,430,832	$ 389,939	$ 218,850	$ -
Penalties and interest	42,880	56,226	11,258		
Miscellaneous		60	10		
Investment earnings	81,023	59,202	3,679	83	62
Total Revenues	2,387,087	1,546,320	404,886	218,933	62
Expenditures					
Tax collection services	80,123	73,994	44,805	95	49
Debt service					
Principal	485,000				
Interest and fees	1,994,350	1,324,485	489,784	153,575	
Total Expenditures	2,559,473	1,398,479	534,589	153,670	49
Revenues Over/(Under) Expenditures	$ (172,386)	$ 147,841	$ (129,703)	$ 65,263	$ 13

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
95%	92%	96%	100%	
2%	4%	3%		
	*	*		
3%	4%	1%	*	100%
100%	100%	100%	100%	100%
3%	5%	11%	*	79%
20%				
84%	86%	121%	70%	
107%	91%	132%	70%	79%
(7%)	9%	(32%)	30%	21%

Harris County Municipal Utility District No. 423
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2024

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 20, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
J. John Yurkanin	05/24 - 05/28	$ 2,852	$ 180	President
Patricia Scholes	05/22 - 05/26	2,873	299	Vice President
Samuel Jones	05/24 - 05/28	2,652	340	Secretary
Antoine Lee	05/24 - 05/28			Assistant Secretary
Charles Duffley	05/22 - 05/26	2,210	1,711	Assistant Vice President
Louise Blair	05/20 - 05/24	1,989	234	Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	07/15			Attorney
General legal fees		$ 83,920		
Bond counsel fees		167,365		
Inframark, LLC	11/17	353,866		Operator
Myrtle Cruz, Inc.	08/15	32,857		Bookkeeper
Assessments of the Southwest, Inc.	08/15	25,419		Tax Collector
Harris Central Appraisal District	Legislation	41,338		Property Valuation
Perdue, Brandon, Collins & Mott, LLP	03/18	9,522		Delinquent Tax Attorney
Quiddity Engineering, LLC	08/15	149,001		Engineer
KGA/DeForest Design, LLC	02/17			Landscape Architect
McGrath & Co., PLLC	04/19	26,200		Auditor
The GMS Group, LLC	09/17	122,935		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), 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 AG, 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 AG shall have received Notice of Nonpayment, AG 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 AG, 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG 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, AG 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 AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG 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 AG 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 AG 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.

AG 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 AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG 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 AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG 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 AG 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 AG, 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 INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By ____________________________________
Authorized Officer