

AMENDED AND RESTATED OFFICIAL STATEMENT DATED AUGUST 20, 2024*

NEW ISSUE-BOOK-ENTRY-ONLY

**RATINGS: AG Insured S&P “AA” (stable outlook);
Underlying Rating: Moody’s “A1”
See “MUNICIPAL BOND RATINGS” AND “BOND INSURANCE”**

IN THE OPINION OF BOND COUNSEL (DEFINED BELOW), ASSUMING CONTINUING COMPLIANCE BY THE DISTRICT (DEFINED BELOW) AFTER THE DATE OF INITIAL DELIVERY OF THE BONDS (DEFINED BELOW) AND SUBJECT TO THE MATTERS SET FORTH UNDER “TAX MATTERS” HEREIN, INTEREST ON THE BONDS FOR FEDERAL INCOME PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE THEREOF (1) WILL BE EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS THEREOF PURSUANT TO SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED TO THE DATE OF THE INITIAL DELIVERY OF THE BONDS, AND (2) WILL NOT BE INCLUDED IN COMPUTING THAT ALTERNATIVE MINIMUM INCOME OF THE OWNERS THEREOF WHO ARE INDIVIDUALS.

THE BONDS ARE NOT DESIGNATED AS QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”

\$21,900,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 55
(A Political Subdivision of the State of Texas Located in Harris County, Texas)

UNLIMITED TAX BONDS, SERIES 2024

Dated: September 17, 2024

Due: February 1, as shown on inside cover page

The \$21,900,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”), are obligations solely of Harris County Municipal Utility District No. 55 (the “District”) and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.

Interest on the Bonds will accrue from the initial delivery date (anticipated September 17, 2024) and will be payable February 1, 2025 and semiannually on August 1 and February 1 each year thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds will initially be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds shall be BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”).

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2031 in whole or from time to time in part, on February 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **Assured Guaranty Inc.**



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS, AND CUSIP NUMBERS**
(see inside cover page)

The proceeds from the sale of the Bonds will be used to finance: (i) Blackhawk Regional Wastewater Treatment Plant Aeration System Rehabilitation and Upgrade Phase II; (ii) Blackhawk Regional Wastewater Treatment Plant Capital Improvements; (iii) Blackhawk Regional Wastewater Treatment Plant Generator Replacement; (iv) Regional Lift Station 142-2 Force Main Repair; (v) Regional Lift Station 142-2 Capital Improvements Plan Phase I; (vi) Phase II – City of Houston Southeast Transmission Line Replacement; (vii) City of Houston Southeast Water Purification Plant Capital Improvements; (viii) Lift Station No. 3 Electrical Rehabilitation and Generator Replacement; (ix) Sanitary Sewer System Repairs Phase I; (x) contingencies; (xi) engineering fees; (xii) geotechnical and materials testing; and (xiii) costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of and Security for Payment.” THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the initial purchaser of the Bonds (the “Initial Purchaser”) subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about September 17, 2024 in Houston, Texas.

*This Official Statement has been amended and restated to correct the “DEBT SERVICE SCHEDULE – TABLE 3” on page 29 herein to reflect the correct interest rates, semi-annual interest payments, annual interest payments, and the total debt service requirement for each maturity on the Series 2024 Bonds. This Official Statement has also been amended and restated to correct the semi-annual interest payments for the maturity year 2032 Outstanding Bonds. This Official Statement has also been amended and restated to remove footnote (a), which initially stated the estimated interest rate for the “DEBT SERVICE SCHEDULE – TABLE 3.”

MATURITIES
(Due February 1)

CUSIP Prefix: 414912

Due	Principal Amount	Interest Rate^(a)	Initial Reoffering Yield^(b)	CUSIP Suffix^(c)	Due	Principal Amount	Interest Rate^(a)	Initial Reoffering Yield^(b)	CUSIP Suffix^(c)
2031	\$1,035,000	5.000%	3.400%	WQ4	2036	\$ 1,250,000	3.000%	4.000%	WV3
2032	1,075,000	4.000%	3.450%	WR2	2037 *	1,300,000	4.000%	3.840%	WW1
2033	1,115,000	4.000%	3.550%	WS0	2038 *	1,355,000	4.000%	3.800%	WX9
2034	1,155,000	4.000%	3.650%	WT8	2039 *	1,415,000	4.000%	3.890%	WY7
2035	1,205,000	4.000%	3.750%	WU5	2040 *	1,475,000	4.000%	3.980%	WZ4
\$4,860,000 5.000% ^(a) Term Bond due February 1, 2030* Yield 3.883% ^(b) CUSIP Suffix WP6 ^(c)									
\$4,660,000 3.000% ^(a) Term Bond due February 1, 2042* Yield 4.350% ^(b) CUSIP Suffix XB6 ^(c)									

* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2031 in whole or from time to time in part, on February 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Term Bonds maturing February 1, 2030 and February 1, 2042 are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for purchase of the Bonds, the District will accept the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.3936% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 3.941895%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

ASSURED GUARANTY INC. ("AG") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTMENT 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 HEADINGS "BOND INSURANCE" AND "APPENDIX C – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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TABLE OF CONTENTS

MATURITIES	5	Future Development.....	26
USE OF INFORMATION IN OFFICIAL STATEMENT	4	THE SYSTEM.....	26
SALE AND DISTRIBUTION PRICES AND MARKETABILITY OF		Water, Sanitary Sewer and Drainage System	26
THE BONDS.....	4	Wastewater Treatment.....	26
Initial Purchaser	4	100-Year Flood Plain	27
Issue Price Certificate.....	4	Water and Wastewater Operations	27
Prices and Marketability.....	4	Rate and Fee Schedule – Table 1	27
Securities Laws	4	Operating Revenues and Expenses Statement - Table 2	28
MUNICIPAL BOND RATINGS	5	DEBT SERVICE REQUIREMENTS - TABLE 3	29
BOND INSURANCE	5	FINANCIAL STATEMENT	34
Bond Insurance Policy.....	5	Assessed Value - Table 4	34
Assured Guaranty Inc.....	5	Unlimited Tax Bonds Authorized but Unissued - Table 5.....	34
OFFICIAL STATEMENT SUMMARY.....	7	Outstanding Bonds - Table 6.....	35
THE DISTRICT.....	7	Cash and Investment Balances - Table 7.....	36
THE BONDS.....	7	Investment Authority and Investment Practices of the District	36
INCLEMENT WEATHER	8	Current Investments - Table 8.....	37
INVESTMENT CONSIDERATIONS.....	8	Estimated Overlapping Debt Statement.....	37
SELECTED FINANCIAL INFORMATION.....	9	Overlapping Taxes for 2023.....	38
OFFICIAL STATEMENT.....	10	TAX DATA.....	38
INTRODUCTION	10	Classification of Assessed Valuation - Table 9.....	38
THE BONDS	10	Tax Collections - Table 10	39
General Description.....	10	District Tax Rates - Table 11	39
Redemption.....	10	Debt Service Tax.....	39
Termination of Book-Entry-Only System	11	Principal Taxpayers - Table 12.....	40
Authority for Issuance.....	12	Tax Adequacy for Debt Service.....	40
Source of and Security for Payment	12	Bond Fund Management Index	41
Payment Record	12	TAXING PROCEDURES	41
Flow of Funds	12	Authority to Levy Taxes	41
Defeasance of Outstanding Bonds.....	12	Property Tax Code and County-Wide Appraisal District	41
Paying Agent/Registrar	12	Property Subject to Taxation by the District	41
Record Date.....	13	Tax Abatement.....	42
Issuance of Additional Debt.....	13	Valuation of Property for Taxation	42
Lost, Stolen, Mutilated or Destroyed Bonds.....	13	District and Taxpayer Remedies	42
Legal Investment and Eligibility to Secure Public Funds in Texas.....	13	Levy and Collection of Taxes.....	43
Remedies In Event of Default	13	Rollback of Operation and Maintenance Tax Rate.....	43
Specific Tax Covenants.....	14	District's Rights in the Event of Tax Delinquencies	43
Additional Covenants.....	14	Reappraisal of Property after Disaster.....	44
Annexation by the City of Houston	14	Delinquent Tax Payments for Disaster Areas.....	44
Consolidation	14	LEGAL MATTERS.....	44
Alteration of Boundaries	14	Legal Opinions.....	44
No Arbitrage	14	No-Litigation Certificate	44
Approval of the Bonds	14	No Material Adverse Change	44
Amendments to Bond Order.....	14	TAX MATTERS	44
BOOK-ENTRY-ONLY SYSTEM.....	14	Tax Exemption.....	44
USE AND DISTRIBUTION OF BOND PROCEEDS	16	Tax Accounting Treatment of Discount and Premium on Certain	
INVESTMENT CONSIDERATIONS	17	Bonds.....	45
General.....	17	Not Qualified Tax-Exempt Obligations for Financial Institutions.....	46
Factors Affecting Taxable Values and Tax Payments	17	CONTINUING DISCLOSURE OF INFORMATION	46
Future and Proposed Tax Legislation	17	Annual Reports	46
Tax Collections and Foreclosure Remedies.....	18	Notice of Certain Events	46
Extreme Weather Events	18	Availability of Information from MSRB	47
Hurricane Beryl.....	18	Limitations and Amendments	47
Specific Flood Type Risks.....	18	Compliance with Prior Undertakings	47
Inclement Weather	18	FINANCIAL ADVISOR	48
Registered Owners' Remedies and Bankruptcy Limitations	18	OFFICIAL STATEMENT.....	48
The Effect of the Financial Institutions Act of 1989 on Tax		Preparation	48
Collections of the District	19	Consultants.....	48
Marketability	19	Updating the Official Statement during Underwriting Period	48
Continuing Compliance with Certain Covenants.....	19	Certification as to Official Statement	48
Future Debt	19	Annual Audits	49
Environmental Regulation.....	19	PHOTOGRAPHS	
Approval of the Bonds	21	APPENDIX A – Audited Financial Statement	
Forward Looking Statements	21	APPENDIX B – Form of Bond Counsel Opinion	
Bond Insurance Risks.....	21	APPENDIX C – Specimen Municipal Bond Insurance Policy	
LOCATION MAP	23		
THE DISTRICT.....	24		
General.....	24		
Management of the District.....	24		
Consultants.....	24		
Location	24		
Status of Development	24		
Residential Development	26		
Multi-Family Development.....	26		
Commercial Development.....	26		

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Any references to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

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

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 the 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, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

The statements contained in this Official Statement, and in other information provided by the District, that are not purely historical, are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. 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. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements."

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION PRICES AND MARKETABILITY OF THE BONDS

Initial Purchaser

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Loop Capital Markets, LLC (the "Initial Purchaser" or the "Underwriter") bearing the lowest interest rates shown on the inside cover page hereof, at a price of 97.3936% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.941895%, as calculated pursuant to Texas Government Code Chapter 1204, as amended (the "IBA" method).

Issue Price Certificate

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds, stating the prices at which the Bonds of each maturity has been sold or offered to the public. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

Prices and Marketability

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

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

Securities Laws

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the offer and sale of the Bonds has been filed with the 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. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign the insured rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Inc. ("AG") at the time of delivery of the Bonds. See "BOND INSURANCE" and "INVESTMENT CONSIDERATIONS – Bond Insurance Risks." Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A1" to the Bonds.

An explanation of the significance of a rating may be obtained from Moody's, the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently, with the issuance of the Bonds, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") 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 Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, 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 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).

On October 20, 2023, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook). On August 1, 2024, KBRA commented that, following the closing of the Merger, AG's insurance financial strength rating of "AA+" (stable outlook) remains unchanged.

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, AGM and Pro Forma Combined AG

As of June 30, 2024
(dollars in millions)

	AG <u>(Actual)</u>	AGM <u>(Actual)</u>	AG <u>(Pro Forma Combined)</u>
Policyholders' surplus	\$1,649	\$2,599	\$3,960 ⁽¹⁾
Contingency reserve	\$421	\$910	\$1,331
Net unearned premium reserves and net deferred ceding commission income	\$355	\$2,078 ⁽²⁾	\$2,433 ⁽²⁾

⁽¹⁾ Net of intercompany eliminations.

⁽²⁾ Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM or pro forma combined AG, as applicable, and (ii) the net unearned premium reserves and net deferred ceding commissions of Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserves, and net unearned premium reserves and net deferred ceding commission income of AG, AGM, and the pro forma combined 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 and AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);
- (i) 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); and
- (ii) 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).

All information relating to AG and AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty 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 and AGM 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."

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT

The District..... Harris County Municipal Utility District No. 55 (the "District"), a political subdivision of the State of Texas, was created in 1974 by the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality ("TCEQ") and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – General."

Location The District is located in southeastern Harris County, approximately two miles west of the intersection of Interstate Highway 45 (the "Gulf Freeway") and FM 528. The District, situated wholly within the exclusive extraterritorial jurisdiction of the City of Houston, Texas ("Houston") and within the boundaries of Clear Creek Independent School District, lies approximately 20 miles south of Houston's central business district. The NASA Johnson Space Center and Baybrook Mall are located approximately four miles and one mile east of the District, respectively. See "THE DISTRICT - Location."

Status of Development within the District..... The District contains approximately 1,367.64 acres, of which approximately 1,184.14 acres are developable. As of July 1, 2024, approximately 1,165.8 acres (or 98.50% of the developable acreage within the District) have been developed with utility facilities as four residential subdivisions including: Heritage Park, Heritage Park Village, Heritage Park Pointe, and Heritage Park Terrace Subdivisions, and contain 4,268 single-family lots comprised of 4,267 single-family homes completed (of which 4,231 are occupied and 34 are unoccupied and includes one home built on two lots), no homes under construction and no vacant developed lots. Additional development includes four apartment developments totaling 1,465 apartment units (of which 1,313 are occupied), two neighborhood shopping centers, and twelve other retail or service establishments. There are also three churches, two elementary schools and a senior high school, none of which are subject to taxation. Approximately 20 acres of commercial property remains vacant of taxable improvements. The remaining 18 acres of land are proposed for single-family residential development. See "THE DISTRICT - Status of Development."

THE BONDS

Description..... The \$21,900,000 Harris County Municipal Utility District No. 55 Unlimited Tax Bonds, Series 2024 (the "Bonds") mature serially in varying amounts on February 1 of each year from 2031 through 2040, inclusive, and as Term Bonds, which mature on February 1, 2030 and February 1, 2042 (the "Term Bonds"), as set forth on the inside cover page hereof. Interest accrues from the Date of Initial Delivery (on or about September 17, 2024) at the rates per annum set forth on the inside cover page hereof and is payable February 1, 2025 and each August 1 and February 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."

Redemption..... The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2031, in whole or from time to time in part, on February 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, the Term Bonds maturing on February 1, 2030 and February 1, 2042 are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. **The Bonds are obligations solely of the District and are not obligations of the City of Houston, Texas; Harris County, Texas; the State of Texas; or any entity other than the District.** See "THE BONDS - Source of and Security for Payment."

Payment Record The District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."

Authority for Issuance The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District; the approving order of the TCEQ; and an order (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS - Authority for Issuance."

Bonds Authorized But Unissued..... At elections held within the District on August 31, 1974, January 6, 1979, October 24, 1992, November 13, 1993, December 5, 1998, May 12, 2007, May 4, 2019, and May 4, 2024 the voters within the District approved the issuance of \$220,340,000 in unlimited tax bonds for utility facilities. After the issuance of the Bonds, the District will have \$120,015,000 in aggregate principal amount of new money bonds for utility facilities which remain authorized but unissued. Additionally, at the election held in the District on May 12, 2007, the voters within the District approved \$5,900,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, none of which remains authorized but unissued. Additionally, the District may issue refunding bonds which increase the principal amount of the outstanding bonds based on such elections. "FINANCIAL STATEMENT - Outstanding Bonds –

Table 6” and “-Unlimited Tax Bonds Authorized but Unissued – Table 5” and “THE BONDS – Issuance of Additional Debt.”

Use of Proceeds..... Proceeds from the sale of the Bonds will be used to finance: (i) Blackhawk Regional Wastewater Treatment Plant Aeration System Rehabilitation and Upgrade Phase II; (ii) Blackhawk Regional Wastewater Treatment Plant Capital Improvements; (iii) Blackhawk Regional Wastewater Treatment Plant Generator Replacement; (iv) Regional Lift Station 142-2 Force Main Repair; (v) Regional Lift Station 142-2 Capital Improvements Plan Phase I; (vi) Phase II – City of Houston Southeast Transmission Line Replacement; (vii) City of Houston Southeast Water Purification Plant Capital Improvements; (viii) Lift Station No. 3 Electrical Rehabilitation and Generator Replacement; (ix) Sanitary Sewer System Repairs Phase I; (x) contingencies; (xi) engineering fees; (xii) geotechnical and materials testing; and (xiii) costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Not Qualified Tax-Exempt Obligations The Bonds are not designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”

Municipal Bond Ratings and Bond Insurance S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) is expected to assign the insured rating of “AA” (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Inc. (“AG”) at the time of delivery of the Bonds. See “BOND INSURANCE” and “INVESTMENT CONSIDERATIONS – Bond Insurance Risks.” Additionally, Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “A1” to the Bonds.

INCLEMENT WEATHER

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

Impact on District..... The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Beryl, which made landfall along the Texas Gulf Coast on July 8, 2024, and brought high levels of wind and rainfall. According to Si Environment (the “Operator”), there were no interruptions of water and sewer service as a result of Hurricane Beryl. According to BGE, Inc. (the “Engineer”), the District’s system did not sustain any material damage from Hurricane Beryl. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other damage as a result of Hurricane Beryl.

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

Bond Counsel & Disclosure Counsel..... Norton Rose Fulbright US LLP, Houston, Texas.

Financial Advisor..... Public Finance Group LLC, Austin, Texas.

Engineer..... BGE, Inc., Houston, Texas.

Paying Agent/Registrar..... BOKF, NA, Dallas, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to carefully examine the Official Statement, including particularly the section captioned “INVESTMENT CONSIDERATIONS,” with respect to investment in the Bonds.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2023 Certified Assessed Valuation	1,420,729,949	(a)
2024 Preliminary Assessed Valuation	1,486,922,198	(b)
Estimated Assessed Valuation as of July 1, 2024	1,475,200,029	(c)
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 43,390,000	(d)
Ratio of Gross Debt to 2023 Certified Assessed Valuation		3.05%
Ratio of Gross Debt to 2024 Preliminary Assessed Valuation		2.92%
Ratio of Gross Debt to Estimated Assessed Valuation as of July 1, 2024		2.94%
2023 Tax Rate		
Debt Service	\$ 0.4000	
Maintenance	-	
Total 2023 Tax Rate	\$ 0.4000	(e)
Bond Fund Balance (as of July 31, 2024)	\$ 15,496,872	(f)
Percentage of current tax collections (Tax Year 2023)		99.61% (g)
Percentage of total tax collections (Tax Years 1997-2023)		99.79% (g)
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2024-2042, inclusive)	\$ 3,108,133	
Tax Rate Required to pay Average Requirement based upon the 2023 Certified Assessed Valuation at 95% collections		\$0.24 /\$100 AV
Tax Rate Required to pay Average Requirement based upon the 2024 Preliminary Assessed Valuation at 95% collections		\$0.23 /\$100 AV
Tax Rate Required to pay Average Requirement based upon the Estimated Assessed Valuation as of July 1, 2024 at 95% collections		\$0.23 /\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2032)	\$ 3,391,895	
Tax Rate Required to pay Maximum Requirement based upon the 2023 Certified Assessed Valuation at 95% collections		\$0.26 /\$100 AV
Tax Rate Required to pay Maximum Requirement based upon the 2024 Preliminary Assessed Valuation at 95% collections		\$0.26 /\$100 AV
Tax Rate Required to pay Maximum Requirement based upon the Estimated Assessed Valuation as of July 1, 2024 at 95% collections		\$0.25 /\$100 AV
Number of active connections as of July 1, 2024		
Single Family - Occupied	4,231	
Single Family - Unoccupied	34	
Multi-Family (1,055 units occupied out of 1,096 total multi-family units)	20	
Commercial	56	
Irrigation/Other	<u>52</u>	
Total Number of Active Connections	4,373	
Estimated Population as of July 1, 2024	15,331	(h)

- (a) Assessed valuation of the District as of January 1, 2023, as provided by the Harris County Appraisal District ("HCAD"). See "TAXING PROCEDURES."
(b) Preliminary Assessed Valuation as of January 1, 2024, as provided by HCAD, is included solely for purposes of illustration. See "TAXING PROCEDURES."
(c) Estimated Assessed Valuation as of July 1, 2024, as provided by HCAD, is included solely for purposes of illustration. See "TAXING PROCEDURES."
(d) Includes the Bonds.
(e) The District levied a 2023 tax rate of \$0.4000 per \$100 assessed valuation.
(f) Unaudited as of July 31, 2024. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Bond Fund.
(g) Tax Year 2023 taxes were due without penalty by February 1, 2024. The District anticipates levying its 2024 total tax rate at its October meeting. See "TAX DATA – Tax Collections."
(h) Based upon 3.0 residents per completed and occupied single family home and 2.5 residents per occupied apartment unit. See "THE DISTRICT – Multi-Family Development."

OFFICIAL STATEMENT

relating to

\$21,900,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 55
(A Political Subdivision of the State of Texas Located in Harris County, Texas)

UNLIMITED TAX BONDS, SERIES 2024

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 55 (the "District") of its Unlimited Tax Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to an order (the "Bond Order") to be adopted by the Board of Directors of the District, Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and an order by the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and the Bond Order. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District, c/o Norton Rose Fulbright US LLP, 1550 Lamar Street, Suite 2000, Houston, Texas 77010, upon payment of duplication costs.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertakings to provide certain information on a continuing basis.

THE BONDS

General Description

The \$21,900,000 Harris County Municipal Utility District No. 55 Unlimited Tax Bonds, Series 2024 (the "Bonds") will mature on February 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof.

Interest on the Bonds will accrue from the initial date of delivery (anticipated September 17, 2024), and will be payable February 1, 2025, and semiannually on August 1 and February 1 each year thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof. The initial paying agent/registrar for the Bonds shall be BOKF, NA, Dallas, Texas ("Paying Agent/Registrar"). The principal of and interest on the Bonds shall be payable without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debt due in the United States of America. Interest on the Bonds (except for interest paid as part of the Redemption Price) which is payable, and which is paid on or duly provided for on or within 10 days after any interest payment date shall be paid to the person to whom the Bond is registered 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 (the "Record Date"). All payments of interest shall be by check mailed, first-class postage prepaid, to the person entitled hereto at such person's address as it appears on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and such person at the risk and expense of such person.

If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Initially, the Bonds will be 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 beneficial owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."

Redemption

Optional Redemption . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after February 1, 2031, in whole or from time to time in part, on February 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent/Registrar by lot. Optional redemption of Bonds may be conditioned on issuance of refunding bonds or other obligations to pay the Redemption Price.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on February 1, 2030 and February 1, 2042 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Bond Fund:

\$4,860,000 Term Bond Maturing February 1, 2030		\$4,660,000 Term Bond Maturing February 1, 2042	
Mandatory		Mandatory	
Redemption	Principal	Redemption	Principal
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
2025	\$ 50,000	2041	\$ 1,540,000
2026	945,000	2042*	3,120,000
2027	975,000		
2028	925,000		
2029	965,000		
2030*	1,000,000		

* Stated maturity

The District, at its option, may credit against any mandatory sinking fund redemption requirement Bonds of the maturity then subject to redemption which have been purchased and cancelled by the District or have been redeemed and therefore applied as credit against any mandatory sinking fund redemption requirement.

Notice of Redemption . . . Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each registered owner of Bonds to be redeemed. All notices shall state:

1. the redemption date,
2. the redemption price,
3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in case of partial redemption within a stated maturity, the respective Bond numbers, and principal amounts) of Bonds to be redeemed,
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment. The notice of redemption must state if redemption is conditioned on issuance of refunding bonds or other obligations to pay the redemption price.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bonds the same shall be surrendered in exchange for one or more new Bonds of the same stated maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the redemption date. Optional redemption of the Bonds may be conditioned on the issuance of refunding bonds or other obligations to pay the redemption price.

Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds. See “BOOK-ENTRY-ONLY SYSTEM”.

Payment . . . The principal and Redemption Price of the Bonds is payable upon surrender at the designated paying office of the Paying Agent/Registrar (the “Place of Payment”). If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Interest on any Bond which is payable, and which is paid or duly provided for on or within 10 days after, any Interest Payment Date shall be paid to the Person in whose name such Bond (or one or more Predecessor Bonds evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next proceeding such Interest Payment Date. Any interest on any Bond which is payable on, but is not paid or duly provided for on or within 10 days after, any Interest Payment Date (herein referred to as “Defaulted Interest”) shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid to the Person in whose name such Bond (or one or more respective Predecessor Bonds) is registered at the close of business on a special record date (the “Special Record Date”) for the payment of such Defaulted Interest. The Regular Record Date for the Bonds for the interest payable on any Interest Payment Date is the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date.

Registration, Transfer, and Exchange . . . The District shall cause to be kept at the Place of Payment a register (herein referred to as the “Security Register”) in which the Paying Agent/Registrar shall provide for the registration of the Bonds and registration of transfers of the Bonds. Upon surrender for transfer of any Bond at the Place of Payment, the District will execute, and the Paying Agent/Registrar will register and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the registered owner, Bonds may be exchanged for other Bonds of the same stated maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the District will execute, and the Paying Agent/Registrar will register and deliver, the Bonds which the Registered Owner of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge may be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Authority for Issuance

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District; the approving order of the TCEQ; and the Bond Order adopted by the Board of Directors of the District on the date of the sale of the Bonds.

Source of and Security for Payment

For each year while any bond is outstanding and the District remains in existence the District must levy and assess a continuing direct annual ad valorem tax upon each \$100 valuation of taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, (1) to pay interest on the Bonds as it becomes due, (2) to provide for the payment of the principal of the Bonds when due or the Redemption Price at any earlier required Redemption Date, and (3) to pay the expenses of assessing and collecting such tax.

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

Payment Record

The District has previously issued twenty-two series of new money Bonds, including the Bonds, and nine series of refunding bonds, which are listed under “FINANCIAL STATEMENT – Outstanding Bonds – Table 6.” The District has never defaulted on the timely payment of the principal of and interest on its bonds. After the issuance of the Bonds, the District will have \$43,390,000 aggregate principal amount of bonds outstanding.

Flow of Funds

To provide for the payment of the principal (and Redemption Price) of, interest on, and Paying Agent fees in respect of the Bonds, the District shall maintain a special account (herein the “Bond Fund”) on its books of account as part of its interest and sinking fund. The District shall credit to the Bond Fund (1) on the Issue Date, from the proceeds from the sale of the Bonds, an amount equal to interest accruing on the Bonds from the Dated Date to the Issue Date; (2) all receipts of taxes (and penalty and interest thereon) net of collection costs levied to provide for the payment of principal of and interest on (or fees and expenses of the Paying Agent with respect to) the Bonds; (3) all earnings from the investment of amounts credited to the Bond Fund; and (4) any other funds of the District deposited to the Bond Fund to pay principal (or Redemption Price) of or interest on the Bonds.

While the Bonds are Outstanding, the Bond Fund shall be used solely to pay principal and Redemption Price of and interest on the Bonds and Paying Agent fees and expenses with respect to the Bonds.

Defeasance of Outstanding Bonds

Any Bond shall be deemed to be paid and shall no longer be considered to be a Bond within the meaning of the Bond Order when payment of the principal of and interest on such Bond to the stated maturity thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided in the Order) to the Redemption Date shall have been made or shall have been provided for by deposit with the Paying Agent for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

If such deposit is made for some but not all of the Bonds then outstanding, the District shall designate the stated maturities of Bonds for which such deposit is made. If such deposit shall be sufficient to provide for the payment of the principal of and interest on some but not all Outstanding Bonds of a particular stated maturity so designated, the Paying Agent shall select the Outstanding Bonds of such stated maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar shall deem fair and appropriate and which may provide for the selection of portions (equal to \$5,000 or any integral multiple thereof) of the principal amount of Bonds of a denomination larger than \$5,000.

“Governmental Obligations” means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody’s Investors Service or Standard & Poor’s Rating Services, or any successor to the bond operations of either of such corporations, but in the case of both clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Paying Agent/Registrar

The District reserves the right in the Bond Order to remove the Paying Agent/Registrar without cause. Every successor Paying Agent/Registrar must at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the Securities and Exchange Commission. Upon any change in the Paying Agent/Registrar, the District agrees to promptly cause a written

notice thereof to be sent to each Registered Owner affected by the change, which notice shall also give the address of the new Paying Agent/Registrar, which shall be the designated Place of Payment.

Record Date

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District's voters, as necessary, to provide and maintain improvements and facilities authorized by law, including water, sewer and drainage facilities, and park and recreational facilities, roads, and fire-fighting facilities. See "THE DISTRICT – General." The District's voters have authorized the issuance of a total of \$220,340,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, of which \$120,015,000 remains authorized but unissued after the issuance of the Bonds. See "Future Debt."

Voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes, and the District may issue refunding bonds to refund its outstanding unlimited tax bonds. The District also has the right to enter into certain other obligations including the issuance of revenue bonds and notes, bond anticipation notes and tax anticipation notes without voter approval. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional debt which may be issued by the District. Any additional debt issued by the District may dilute the security of the Bonds. In the opinion of the District's engineer, voter-authorized bonds will be required for future maintenance of the District's infrastructure. See "INVESTMENT CONSIDERATIONS – Future Debt."

Lost, Stolen, Mutilated or Destroyed Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same stated maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under the Order, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

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

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

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Remedies In Event of Default

The Bond Order provides that if the District shall default in the payment of the principal of and interest on the Bonds when due or in the observance or performance of any of the covenants, conditions, or obligations set forth in the Order, any Bondholder shall, in addition to all other rights and remedies of such owner of Bonds, be entitled to a writ on mandamus issued by a court of proper jurisdiction compelling and requiring the Board and the other officers of the District to make such payment or to observe and perform such covenant, obligation, or condition.

The Bond Order provides no additional remedies to a Bond owner. Specifically, the Bond Order does not provide for an appointment of a trustee to protect and enforce the interests of the Bond owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year to year by the Bond owners.

Statutory language authorizing the District to sue and be sued does not waive the District's sovereign immunity to suit for money damages. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. If such suit were allowed and a judgment obtained, the Bond owners could not foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds or otherwise satisfy such judgment. In addition, the enforceability of the rights and remedies of the Bond owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

Specific Tax Covenants

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes, and thereafter such covenant will no longer be binding upon the District to the extent described in such opinion.

Additional Covenants

The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the "City"), the District must conform to a City ordinance consenting to the creation of the District. Under prior Texas law, a municipality could annex and dissolve a municipality utility district located within its extraterritorial jurisdiction without the consent of the District or its residents. Under legislation effective December 1, 2017, the District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Upon annexation, the City would assume the District's assets and obligations, including the Bonds, and dissolve the District. The District has no control or knowledge of the annexation plans of the City; therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur. See "THE BONDS – Source of and Security of Payment."

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with that of any other district.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. The District would be required to obtain the consent of the City before adding any land in the City's extraterritorial jurisdiction or corporate limits. No representation is made concerning the likelihood that the District would effect any further change in its boundaries.

No Arbitrage

The District certifies that based upon all facts or estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of the proceeds of the Bonds, and take such other and further actions and follow such procedures 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.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does the Attorney General of Texas pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments to Bond Order

The District may, without the consent of or notice to any Bondholder, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Holders of all of the affected Outstanding Bonds, no such amendment, addition, or rescission shall (1) change the stated maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions of the section in the Bond Order related to amendments thereto, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Financial Advisor take any responsibility for the accuracy thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to finance: (i) Blackhawk Regional Wastewater Treatment Plant Aeration System Rehabilitation and Upgrade Phase II; (ii) Blackhawk Regional Wastewater Treatment Plant Capital Improvements; (iii) Blackhawk Regional Wastewater Treatment Plant Generator Replacement; (iv) Regional Lift Station 142-2 Force Main Repair; (v) Regional Lift Station 142-2 Capital Improvements Plan Phase I; (vi) Phase II – City of Houston Southeast Transmission Line Replacement; (vii) City of Houston Southeast Water Purification Plant Capital Improvements; (viii) Lift Station No. 3 Electrical Rehabilitation and Generator Replacement; (ix) Sanitary Sewer System Repairs Phase I; (x) contingencies; (xi) engineering fees; (xii) geotechnical and materials testing; and (xiii) costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds are set forth below. Of the proceeds to be received from the sale of the Bonds, \$19,959,988 is required for construction costs, and \$1,943,012 is required for non-construction costs.

Construction Costs

A. District Items

1. Blackhawk Regional WWTP Aeration System Rehabilitation and Upgrade Phase II	\$	1,239,843
2. Blackhawk Regional WWTP Capital Improvements		467,280
3. Blackhawk Regional WWTP Generator Replacement		876,150
4. Regional Lift Station 142-2 Force Main Repair		679,656
5. Regional Lift Station 142-2 Capital Improvements Plan Phase I		3,671,502
6. Phase II - City of Houston Southeast Transmission Line Replacement		6,637,540
7. City of Houston Southeast Water Purification Plant Capital Improvements		674,623
8. Lift Station No. 3 Electrical Rehabilitation and Generator Replacement		645,000
9. Sanitary Sewer System Repairs - Phase I		615,000
10. Contingencies (10% of item nos. 1 - 9)		1,550,659
11. Engineering (15% of item nos. 1 - 10)		2,558,588
12. Geotechnical and Materials Testing (2% of item nos. 1 - 10)		341,145
Total District Items	\$	19,956,988

Total Construction Costs **\$ 19,956,988**

Non-Construction Costs

A. Legal Fees (2.5%)	\$	547,500
B. Fiscal Agent Fees (2.5%)		547,500
C. Bond Discount (2.6064%)		570,781
D. Bond Issuance Expenses		61,762
E. Bond Application Report Costs		65,000
F. Attorney General Fee (0.10%)		9,500
G. TCEQ Bond Issuance Fee (0.25%)		54,750
H. Contingency ^(b)		86,219
Total Non-Construction Costs	\$	1,943,012

TOTAL BOND ISSUE REQUIREMENT **\$ 21,900,000**

- (a) Preliminary; subject to change. Pursuant to the contract provided, the legal fees are to be equal to 2% of the principal amount of bonds issued, up to \$5,000,000. For bonds issued in excess of \$5,000,000 fees will be established by negotiation.
- (b) The TCEQ, in its approval of the Bonds, directed that any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on use of surplus Bond proceeds.

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District makes no representation that over the life of the Bonds continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, foreclosure levels, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single-family mortgage lending and real estate development lending. Additionally, lenders have been increasingly selective in making real estate development loans in the Houston area because of the negative impact to their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies.

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

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of the Developer in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developer under No Obligation to the District: There is no commitment from, or obligation of, any developer 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, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts 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 developer and the other 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 financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA – Principal Taxpayers – Table 12."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Certified Taxable Assessed Valuation of the District is \$1,420,729,949. After issuance of the Bonds, the Maximum Requirement will be \$3,391,895 (2032) and the Average Requirement will be \$3,108,133 (2024 through 2042, inclusive). Assuming (1) no increase or decrease from the 2023 Certified Taxable Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.26 and \$0.24 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's 2024 Preliminary Taxable Assessed Valuation of the District is \$1,486,922,198. Based upon the assumptions above, tax rates of \$0.25 and \$0.23 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's Estimated Taxable Assessed Valuation of the District as of July 1, 2024 is \$1,475,200,029. Based upon the assumptions above, tax rates of \$0.25 and \$0.23 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

Future and Proposed Tax Legislation

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

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered Owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, Registered Owners to enforce such remedies. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Hurricane Beryl

Hurricane Beryl made landfall along the Texas Gulf Coast on July 8, 2024, and brought high levels of wind and rainfall. According to Si Environment (the "Operator"), there were no interruptions of water and sewer service as a result of Hurricane Beryl. According to BGE, Inc. (the "Engineer"), the District's system did not sustain any material damage from Hurricane Beryl. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other damage as a result of Hurricane Beryl.

Specific Flood Type 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.

Inclement 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. 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 District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

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 District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Registered Owners' Remedies and Bankruptcy Limitations

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901 – 946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under

Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. In the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, 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 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.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and 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.

Marketability

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

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. See "THE BONDS –Tax Covenants." Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$120,015,000 authorized but unissued unlimited tax bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$120,015,000 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. In the opinion of the District's engineer, the remaining authorization should be sufficient to complete build out of the District. See "THE SYSTEM."

Environmental Regulation

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

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

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

Air Quality Issues... Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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 three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit

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

Approval of the Bonds

The TCEQ approved the issuance of the Bonds by an order signed on July 23, 2024 (the "TCEQ Order"). The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

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 regarding 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 and 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, and 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 the forward-looking statements included in this Official Statement would prove to be accurate.

Bond Insurance Risks

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer's consent may be required in connection with amendments to the Bond Order.

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 by the Paying Agent pursuant to the Bond Order. 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.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its ability to pay claims which is predicated upon a number of factors that 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.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency. No independent investigation into the ability of the Bond

Insurer to pay claims has been made and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

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THE DISTRICT

General

The District was created by the TCEQ, in 1974, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ.

Management of the District

Board of Directors: The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on the second Saturday in May in each even numbered year. All of the directors listed below own property within the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Robert Squires	President	2026	39 Years
Robert Tietz	Vice President	2026	4 Years
Scott Wegner	Secretary	2026	1 Year
Richard Klenk	Treasurer	2028	31 Years
Jesse Scott	Assistant Secretary	2028	1 Year

Consultants

Tax Assessor/Collector: The Harris County Appraisal District appraises land and improvements in the District. The Board of Directors of the District appoints the Tax Assessor/Collector. Equi-Tax, Inc. ("Equi-Tax") currently serves the District in this capacity under contract.

Bookkeeper: ETI Bookkeeping Services acts as bookkeeper for the District and currently performs similar services for approximately 21 other special districts.

Operator: The District contracts with Si Environmental, LLC ("Si") to operate and maintain the District's system. See "THE SYSTEM – Water, Sanitary Sewer and Drainage System."

Engineer: The District's consulting engineer is BGE, Inc. (the "Engineer"). Such firm serves as consulting engineer to over 100 other special districts in the Houston metropolitan area.

Legal Counsel: The District has engaged Norton Rose Fulbright US LLP, Houston, Texas, to serve as Bond Counsel and Disclosure Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Such firm also acts as General Counsel to the District on matters not related to the issuance of bonds and is compensated based on time charges actually incurred.

Financial Advisor: Public Finance Group LLC serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based upon the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Location

The District originally contained 650.9 acres and presently encompasses approximately 1,367.64 acres due to annexation of land in 1974 (20.4 acres), 1978 (24 acres), 1982 (147.7 acres), 1985 (19.5 acres), 1986 (35.4 acres), , 1991 (59 acres), 1993 (4.8 acres), 1994 (103.7 acres), 1995 (19.6 acres), 1998 (74 acres), 1999 (140.6 acres), 2000 (2.7 acres), 2005 (4.8 acres), 2008 (18.3 acres), 2009 (7.3 acres), 2011 (2.7 acres and 8.97 acres), and 2013 (3.75 acres), 2014 (19.53 acres). The District which is located within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Clear Creek Independent School District, is located approximately 20 miles southeast of the central business district of Houston in the southeastern portion of Harris County, Texas. The National Aeronautics and Space Administration ("NASA") Johnson Space Center and Baybrook Mall are located approximately four miles and one mile east of the District, respectively. The District is bounded on the south by FM 528, on the north by FM 2351, and is bisected east to west by Bay Area Boulevard. Principal access to the District is provided by Interstate Highway 45 (the "Gulf Freeway") and Bay Area Boulevard.

Status of Development

Development of the District began in 1974 and approximately 1,184 acres of the approximate 1,367 acres located within the District have been developed with water, sanitary sewer and drainage facilities.

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The chart below reflects the status of single-family development as of July 1, 2024:

Section	Acreeage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Single Family Developed with Utility Facilities					
Heritage Park Section 1	45.2640	159	159	-	-
Heritage Park Section 3	25.1021	104	103 ^(a)	-	-
Heritage Park Section 4	69.0022	274	274	-	-
Heritage Park Section 5	50.4010	187	187	-	-
Heritage Park Section 6	77.9816	368	368	-	-
Heritage Park Section 7	88.7832	355	355	-	-
Heritage Park Section 8	27.1770	121	121	-	-
Heritage Park Section 9	38.0217	183	183	-	-
Heritage Park Section 10	63.4373	262	262	-	-
Heritage Park Section 11	25.6143	108	108	-	-
Heritage Park Section 12	42.9588	205	205	-	-
Heritage Park Section 13	35.7455	164	164	-	-
Heritage Park Section 14	28.0570	127	127	-	-
Heritage Park Section 15	50.1689	218	218	-	-
Heritage Park Section 16	12.6649	51	51	-	-
Heritage Park Section 17	21.2149	96	96	-	-
Heritage Park Section 18	37.9510	169	169	-	-
Heritage Park Section 19	4.7727	20	20	-	-
Heritage Park Section 20	38.3380	177	177	-	-
Heritage Park Section 21	32.5318	153	153	-	-
Heritage Park Section 22	6.5030	32	32	-	-
Heritage Park Section 23	19.3200	89	89	-	-
Heritage Park Section 24	23.2900	101	101	-	-
Heritage Park Section 25	30.1200	122	122	-	-
Heritage Park Section 26	35.5000	108	108	-	-
Heritage Park Section 27	25.4200	105	105	-	-
Heritage Park Section 28	31.9000	113	113	-	-
Heritage Park Section 29	22.3000	97	97	-	-
Subtotal - Single Family Developed with Utilities	1,009.5409	4,268	4,267	-	-
B. Non-Residential / Commercial / Other Acreage					
Proposed Single Family	18.3300				
Commercial	118.9623				
R.O.W.	15.4230				
Multi-Family	34.9940				
Parks and Opens Spaces	9.0191				
Easements	83.2702				
District Plant Sites	4.1019				
Schools	59.6000				
Churches	14.4000				
Subtotal - Other	358.1005				
Total District Acreage	1,367.6414				

(a) Includes one house built on two lots.

Residential Development

Heritage Park has been platted as twenty-nine sections including Heritage Park Sections 1 and 3 through 29, which are predominantly single-family and Heritage Park, Section 2 which consists of multi-family and commercial reserves. Twenty-nine sections have been developed with water, sanitary sewer, drainage facilities and street paving. As of July 1, 2024, the District contains approximately 4,268 developed lots comprised of 4,267 single-family homes completed (of which 4,231 are occupied, 34 are unoccupied and includes one home built on two lots), no homes under construction and no vacant developed lots. Eighteen developable acres have not yet been developed.

Multi-Family Development

Portions of the District adjacent to Bay Area Boulevard have been developed for multi-family usage. Multi-family improvements include Rosemont at Edge at Clear Creek, Ivy Point Friendswood, and August Friendswood apartments. Rosemont at Clear Creek is a 776-unit project with apartment buildings located on each side of Bay Area Boulevard. The leasing office currently reports an occupancy rate of approximately 92%. Edge at Clear Creek Apartments contains 320 rental units, and its leasing office reports an occupancy rate of approximately 95%. Ivy Point Friendswood contains 120 rental units, and its leasing office reports an occupancy rate of approximately 61%. August Friendswood contains 249 rental units, and its leasing office reports an occupancy rate of approximately 89%.

Commercial Development

Commercial development within the District is mainly in the areas adjacent to Bay Area Boulevard and FM 528. These improvements include neighborhood shopping centers, convenience stores, and free-standing businesses which serve the residential development in the District and the surrounding area. Baywood Plaza is a neighborhood shopping center located at the western portion of the intersection of Bay Area Boulevard and FM 528. This center includes a Texas School of Business, approximately twelve retail and service establishments, a free-standing fast-food restaurant, and a gas station.

A major shopping center is located on the eastern portion of the intersection of Bay Area Boulevard and FM 528. In addition to Spec's Wines, Spirits and Finer Foods, it contains approximately ten retail and service establishments including a hair salon, restaurant, doctor's office, a car wash and dry cleaners.

Other businesses in the District include an automobile body repair shop, a tire store, two convenience stores, Barcenas Restaurant, Store Smart Storage, numerous small retail stores and a child care center. In addition to the commercial development described above, three churches, two elementary schools and a senior high school (none of which are subject to taxation) are presently located in the District.

Future Development

With the exception of 18 acres, all of the developable property within the District has been developed with utility facilities including street paving. Therefore, the only remaining development expected to occur within the District consists of utilities, street paving and homes to be constructed on the undeveloped 18 acres and the approximate 20 acres of vacant commercial reserves. The District cannot predict with certainty if any homes or commercial improvements will be constructed in the District.

THE SYSTEM

Water, Sanitary Sewer and Drainage System

In addition to the Bonds, the District has previously issued twenty series of new money bonds and eight series of refunding bonds (including the Bonds). Proceeds from sales of such previously issued new money bonds, together with certain nonreimbursable developer contributions, were used to provide water production facilities, wastewater treatment capacity, and underground water distribution, sewer collection, and drainage facilities (the "System") to serve approximately 1,367 acres of land in the District. The District's System has been designed in conformity with the current requirements of the City of Houston, Harris County, Texas, Harris County Flood Control District, and the TCEQ.

Source of Water Supply: The District currently owns and operates two water plants. Water Plant No. 1 contains a 1,345 gallon-per-minute ("gpm") well, four booster pumps with total capacity of 6,000 gpm, a 210,000 gallon ground storage tank, a 840,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, and emergency generator. Water Plant No. 2 includes a 1,545 gpm well and auxiliary power. The District has also constructed a 500,000 gallon elevated storage facility. According to the Engineer, the present ground water supply facilities together with the District's existing surface water capacity, described below, are sufficient to serve the District at ultimate development under present land use projections.

The Harris/Galveston Subsidence District (the "Subsidence District") requires that the District restrict its groundwater withdrawal to 20% of its total water usage. The District has converted its water supply system from a groundwater only system to a combination surface water and groundwater system and has purchased 2,975,000 gallons per day ("gpd") in the Southeast Regional Water Purification Plant (the "Southeast Regional Water Plant") through the City of Houston. With proceeds from previous bonds, the District has funded its pro-rata share of the expansion of the Southeast Water Plant from 80 MGD to 120 MGD. This increased the District's surface water capacity by 1.4875 MGD. Of this amount, the District has sold 500,000 gpd to the City of Friendswood and 500,000 gpd to Clear Lake City Water Authority. After the expansion and after the sale of capacity to the City of Friendswood and Clear Lake City Water Authority, the District has capacity of 3,462,500 gpd. The surface water capacity assures that the District has adequate water supply even during high demand periods. The District has chosen to supply its entire water demand with surface water at a conservative design average daily flow of 455 gpd/ESFC. Peaking demands from the District will be supplied by the District's two ground water wells. The Southeast Regional Water Plant is located adjacent to Ellington Field approximately four miles from the District. The source of water for the Southeast Regional Water Plant is raw water from the Trinity River transmitted through the Coastal Water Authority's conveyance facilities to the Southeast Regional Water Plant.

In addition to its capital costs, the District shares in the operating and maintenance expenses of the Southeast Regional Water Plant on a pro rata basis (based on the amount of water conveyed to the District) with the City of Houston and other parties with contractual shares in the Southeast Regional Water Plant. The City of Houston is planning a major capital project entailing the replacement of a large diameter water distribution line. Per the current cost sharing agreement, the District's share of the total \$117.8 million estimated construction cost will be approximately \$9.1 million.

Wastewater Treatment

Permanent wastewater treatment for the District is provided by the Blackhawk Regional Wastewater Treatment Plant (the "Blackhawk Plant"). The Blackhawk Plant contains a total of 9.25 million gpd capacity, and the District has purchased 1.965 million gpd capacity allocation in the facility. The capacity is adequate to serve development within the District. The Engineer has stated that, under present land use plans, the District's allocation in the Blackhawk Plant is sufficient to

accommodate the wastewater treatment requirements for the District at full build-out.

100-Year Flood Plain

According to the Engineer, approximately 13 acres located in the District are within the 100-year flood plain as illustrated by the Flood Insurance Rate Maps, 48201c1065m and 48201c1070m, January 6, 2017 Revision, published by the Federal Emergency Management Agency. Proceeds from sale of the Outstanding Bonds have been used to construct certain channel improvements and a detention facility which fulfills the District's current drainage requirements.

Water and Wastewater Operations

Rate and Fee Schedule – Table 1

The Board of Directors of the District establishes rates and fees for water and sewer service, subject to change from time to time. The rates are subject to change from time to time. The following rates were approved on December 19, 2023.

<u>Monthly Service Charge</u>	
All Connections	\$26.55 per connection
Apartment Unit	\$26.55 per apartment unit
<u>Monthly Water Service Rates</u>	
All single family home connections:	
0-6,000 gallons	\$1.60/1,000 gallons
6,001-10,000 gallons	\$1.65/1,000 gallons
10,001-20,000 gallons	\$2.10/1,000 gallons
Over 20,000 gallons	\$3.50/1,000 gallons
<u>Monthly Sewer Service Rates</u>	
All connections per 1,000 gallons of water used	
0-6,000 gallons	\$2.73/1,000 gallons
Over 6,000 gallons	\$3.43/1,000 gallons
<u>Monthly Fire Protection Rate</u>	
Per equivalent connection	\$10.63
<u>Monthly Emergency Medical Service Rate</u>	
Per home	\$10.47
<u>Monthly Law Enforcement Service Rate</u>	
Per home	\$6.35

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Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Operating revenues are not pledged to payment of the Bonds, and the summary is included for general information only. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. See also "Appendix A – Audited Financial Statements."

	Fiscal Year Ended				
	07/31/2024^(a)	12/31/2023^(b)	12/31/2022^(b)	12/31/2021^(b)	12/31/2020^(b)
REVENUES					
Service Charge	\$ 1,075,415	\$ 1,816,091	\$ 1,811,883	\$ 1,761,214	\$ 1,729,011
Water Service	344,454	601,392	727,502	554,382	603,572
Wastewater Service	596,455	1,104,725	1,187,626	1,000,601	1,067,582
Fire Fighting and Ambulance Service	898,148	1,434,880	1,143,330	913,690	892,385
Law Enforcement Service	258,895	356,536	309,412	301,610	296,209
Sales and Use Tax Revenue	93,943	185,255	187,842	143,843	133,081
Tap Connection and Inspection Fees	72,244	266,036	32,555	389,119	-
Penalty and Interest	41,886	69,811	70,976	43,187	46,350
Investment Revenues	149,826	253,271	91,291	2,036	11,294
Miscellaneous Revenues	2,000	91,693	103,594	98,277	81,999
TOTAL REVENUES	\$ 3,533,266	\$ 6,179,690	\$ 5,666,011	\$ 5,207,959	\$ 4,861,483
EXPENDITURES					
Audit Fees	\$ 20,250	\$ 19,250	\$ 18,250	\$ 17,750	\$ 18,050
Engineering Fees	80,525	101,056	119,626	65,758	52,534
Legal Fees	72,347	101,177	95,845	79,295	65,112
Other Consulting Fees	-	2,060	1,980	1,980	1,980
Purchased Water Service	224,974	464,548	450,115	498,902	999,612
Purchased Wastewater Service	1,045,306	1,153,351	954,493	638,305	593,607
Bookkeeping	15,751	25,698	21,750	21,380	21,848
Operations and Billing	271,542	446,812	399,634	358,833	347,738
Utilities	53,339	75,523	79,739	75,543	70,644
Repairs and Maintenance	538,161	980,154	715,169	567,475	603,021
Administrative Expenditures	113,660	144,934	149,813	143,413	134,083
Capital Outlay	-	303,104	143,784	10,144	1,568,742
Tap Connections	-	-	-	89,333	3,035
Law Enforcement	301,017	345,725	299,827	296,595	287,950
Fire Fighting	449,269	696,574	701,338	647,600	625,384
Emergency Medical Services	445,750	688,622	419,845	339,999	275,453
Other Expenditures	27,068	138,623	127,913	100,134	58,962
TOTAL EXPENDITURES	\$ 3,658,254	\$ 5,687,211	\$ 4,699,121	\$ 3,952,439	\$ 5,727,755
NET REVENUES (DEFICIT)	\$ (124,988)	\$ 492,479	\$ 966,890	\$ 1,255,520	\$ (866,272)
Beginning Fund Balance	\$ 5,127,951	\$ 4,635,472	\$ 3,668,582	\$ 2,413,062	\$ 3,279,334
Plus / (Less): Fund Transfer	-	-	-	-	-
Ending Fund Balance	\$ 5,002,963	\$ 5,127,951	\$ 4,635,472	\$ 3,668,582	\$ 2,413,062

(a) Unaudited. As of July 31, 2024. Represents seven (7) months of the District's current fiscal year.

(b) Audited.

DEBT SERVICE REQUIREMENTS - TABLE 3

**Harris County Municipal Utility District No. 55
\$21,900,000
Unlimited Tax Bonds, Series 2024
Dated Date: September 17, 2024
First Interest Payment Due: February 1, 2025**

Year Ending 31-Dec	Outstanding Bonds				The Bonds				Principal and Interest	Total Debt Service Requirements
	Principal Due (02/01)	Interest		Total	Principal (Due 2/01)	Interest		Total		
		Due (02/01)	Due (08/01)			(Due 2/01)	(Due 8/01)			
2024	\$ 1,955,000	\$ -	\$ 289,147	\$ 2,244,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,244,147
2025	2,030,000	255,045	255,045	2,540,090	50,000	326,011	436,675	762,686	812,686	3,352,776
2026	875,000	228,936	228,936	1,332,873	945,000	436,675	413,050	849,725	1,794,725	3,127,598
2027	925,000	210,961	210,961	1,346,923	975,000	413,050	388,675	801,725	1,776,725	3,123,648
2028	1,050,000	193,849	193,849	1,437,698	925,000	388,675	365,550	754,225	1,679,225	3,116,923
2029	1,080,000	180,574	180,574	1,441,148	965,000	365,550	341,425	706,975	1,671,975	3,113,123
2030	1,110,000	169,624	169,624	1,449,248	1,000,000	341,425	316,425	657,850	1,657,850	3,107,098
2031	1,140,000	158,374	158,374	1,456,748	1,035,000	316,425	290,550	606,975	1,641,975	3,098,723
2032	1,170,000	119,824	119,824	1,409,648	1,075,000	290,550	269,050	559,600	1,634,600	3,044,248
2033	1,205,000	134,949	134,949	1,474,898	1,115,000	269,050	246,750	515,800	1,630,800	3,105,698
2034	1,240,000	122,414	122,414	1,484,828	1,155,000	246,750	223,650	470,400	1,625,400	3,110,228
2035	1,270,000	108,919	108,919	1,487,838	1,205,000	223,650	199,550	423,200	1,628,200	3,116,038
2036	1,305,000	94,430	94,430	1,493,860	1,250,000	199,550	180,800	380,350	1,630,350	3,124,210
2037	1,345,000	79,024	79,024	1,503,049	1,300,000	180,800	154,800	335,600	1,635,600	3,138,649
2038	1,380,000	62,843	62,843	1,505,685	1,355,000	154,800	127,700	282,500	1,637,500	3,143,185
2039	1,415,000	45,719	45,719	1,506,438	1,415,000	127,700	99,400	227,100	1,642,100	3,148,538
2040	1,455,000	27,781	27,781	1,510,563	1,475,000	99,400	69,900	169,300	1,644,300	3,154,863
2041	1,495,000	9,344	9,344	1,513,688	1,540,000	69,900	46,800	116,700	1,656,700	3,170,388
2042	-	-	-	-	3,120,000	46,800	-	46,800	3,166,800	3,166,800
	\$ 23,445,000	\$ 2,202,608	\$ 2,491,755	\$ 28,139,363	\$ 21,900,000	\$ 4,496,761	\$ 4,170,750	\$ 8,667,511	\$ 30,567,511	\$ 58,706,874

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2023 Certified Assessed Valuation		1,420,729,949 ^(a)
2024 Preliminary Assessed Valuation		1,486,922,198 ^(b)
Estimated Assessed Valuation as of July 1, 2024		1,475,200,029 ^(c)
Gross Debt Outstanding (after the issuance of the Bonds)	\$	43,390,000 ^(d)
Ratio of Gross Debt to 2023 Certified Assessed Valuation		3.05%
Ratio of Gross Debt to 2024 Preliminary Assessed Valuation		2.92%
Ratio of Gross Debt to Estimated Assessed Valuation as of July 1, 2024		2.94%
2023 Tax Rate		
Debt Service	\$	0.4000
Maintenance		-
Total 2023 Tax Rate	\$	0.4000 ^(e)
Bond Fund Balance (as of July 31, 2024)	\$	15,496,872 ^(f)
Estimated Population as of July 1, 2024		15,331 ^(g)

Area of District: 1,344.37 acres

- (a) Assessed valuation of the District as of January 1, 2023, as provided by HCAD. See "TAXING PROCEDURES."
- (b) Preliminary Assessed Valuation as of January 1, 2024, as provided by HCAD, is included solely for purposes of illustration. Estimates of value are not binding on HCAD, and the certified value as of January 1, 2024 may differ significantly from the earlier estimate. See "TAXING PROCEDURES."
- (c) Estimated Assessed Valuation as of July 1, 2024, as provided by HCAD, is included solely for purposes of illustration. Estimates of value are not binding on HCAD, and the certified value as of January 1, 2024 may differ significantly from the earlier estimate. See "TAXING PROCEDURES."
- (d) Includes the Bonds.
- (e) The District levied a 2023 tax rate of \$0.4000 per \$100 assessed valuation. The District anticipates levying its 2024 total tax rate at its October meeting. See "TAXING PROCEDURES."
- (f) Unaudited as of July 31, 2024. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (g) Based upon 3.0 residents per completed and occupied single-family home and 2.5 residents per occupied apartment unit. See "THE DISTRICT – Multi-Family Development."

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized ^(a)	Issued to Date	Unissued
8/31/1974	Water and Sewer	\$ 11,700,000	\$ 11,700,000	\$ -
1/6/1979	Water and Sewer	8,300,000	8,300,000	-
10/24/1992	Water and Sewer	12,000,000	12,000,000	-
11/13/1993	Water and Sewer	3,000,000	3,000,000	-
12/5/1998	Water and Sewer	9,240,000	9,240,000	-
5/12/2007	Water and Sewer	20,000,000	20,000,000	-
5/4/2019	Water, Wastewater & Storm Drainage	32,200,000	30,185,000 ^(b)	2,015,000
5/4/2024	Water, Wastewater & Storm Drainage	118,000,000	11,800,000	118,000,000
5/12/2007	Park and Recreational Facilities	5,900,000	5,900,000	-
Total		\$ 220,340,000	\$ 112,125,000	\$ 120,015,000

- (a) The District has the authority to issue refunding bonds which may increase the Outstanding Bonds. Under City of Houston Ordinances, including Ordinance No. 97-416, the District may not issue refunding bonds unless there is net present value savings in the District's debt service except with the consent of the City or qualification under certain provisions governing economically stressed districts for which the District does not currently qualify.
- (b) Includes the Bonds.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds ^(a)
A. New Money Bonds				
12/01/74	Water and Sewer	1974	\$ 1,925,000	\$ -
12/01/75	Water and Sewer	1975	250,000	-
02/01/77	Water and Sewer	1977	1,750,000	-
02/01/79	Water and Sewer	1979	2,000,000	-
06/01/80	Water and Sewer	1980	3,520,000	-
11/01/82	Water and Sewer	1982	875,000	-
07/01/84	Water and Sewer	1984	3,040,000	-
07/01/87	Water and Sewer	1987	1,500,000	-
11/01/88	Water and Sewer	1988A	1,495,000	-
02/01/90	Water and Sewer	1990	1,285,000	-
05/01/92	Water and Sewer	1992	1,425,000	-
04/01/94	Water and Sewer	1994	3,735,000	-
07/01/95	Water and Sewer	1995	885,000	-
12/01/98	Water and Sewer	1998	3,830,000	-
11/01/99	Water and Sewer	1999	4,255,000	-
12/01/01	Water and Sewer	2001	1,275,000	-
08/01/03	Water and Sewer	2003	2,750,000	-
09/01/05	Water and Sewer	2005	8,445,000	-
02/01/10	Park and Recreational Facilities	2010	5,900,000	-
10/01/13	Water, Wastewater & Storm Drainage	2013	10,600,000	-
02/15/22	Water, Wastewater & Storm Drainage	2022	17,685,000	17,675,000
09/17/24	Water, Wastewater & Storm Drainage	2024	21,900,000	21,900,000 ^(a)
	Subtotal		\$ 100,325,000	\$ 39,575,000
B. Refunding Bonds				
06/01/88	Refunding	1988	\$ 4,040,000	\$ -
09/01/89	Refunding	1989	2,940,000	-
04/01/93	Refunding	1993	7,880,000	-
12/01/01	Refunding	2001	2,060,000	-
03/01/04	Refunding	2004	8,770,000	-
06/01/11	Refunding	2011	5,230,000	-
02/01/12	Refunding	2012	6,100,000	-
02/01/16	Refunding	2016	6,770,000	530,000
11/13/19	Refunding	2019	7,325,000	3,285,000
	Subtotal		\$ 51,115,000	\$ 3,815,000
	Total		\$ 151,440,000	\$ 43,390,000

(a) The Bonds.

Cash and Investment Balances - Table 7^(a)

General Fund	\$ 4,960,431
Debt Service Fund	15,496,872 ^(b)
Capital Projects Fund	10,646,755

(a) Unaudited as of July 31, 2024.

(b) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 8

The District, as of July 31, 2024, was invested in TexPool, Money Market accounts, and Certificates of Deposit. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of July 31, 2024	
Cash	\$ 836,310
Money Market	-
TexPool	30,042,747
Certificates of Deposit	225,000
Total Investment	\$ 31,104,057

Estimated Overlapping Debt Statement

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

[Chart appears on the following page]

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Harris County	\$ 1,994,511,319	7/31/2024	0.200%	\$ 3,989,023
Harris County Department of Education	28,960,000	7/31/2024	0.200%	57,920
Harris County Flood Control District	991,095,000	7/31/2024	0.200%	1,982,190
Harris County Toll Road ^(a)	-	7/31/2024	0.000%	-
Harris County Hospital District	65,285,000	7/31/2024	0.200%	130,570
Port of Houston Authority	426,134,397	7/31/2024	0.200%	852,269
Clear Creek Independent School District	1,065,675,000	7/31/2024	3.590%	38,257,733
TOTAL ESTIMATED OVERLAPPING DEBT				\$ 45,269,704
The District ^(b)	\$ 43,390,000	9/17/2024	100.000%	\$ 43,390,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 88,659,704
Ratio of Estimated and Overlapping Debt to 2023 Certified Assessed Valuation				6.24%
Ratio of Estimated and Overlapping Debt to 2024 Preliminary Assessed Valuation				5.96%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of July 1, 2024				6.01%

(a) No outstanding debt due to self-supporting toll road system.

(b) Includes the Bonds.

Overlapping Taxes for 2023

Overlapping Entity	2023 Tax Rate Per	Average
	\$100 Assessed Valuation	Tax Bill ^(a)
	Harris County	Harris County
Harris County	\$0.376930	\$ 894
Harris County Department of Education	0.004499	11
Harris County Flood Control District	0.033490	79
Harris County Hospital District	0.166710	395
Port of Houston Authority	0.008720	21
Clear Creek Independent School District	1.179700	2,797
The District	<u>0.400000</u>	<u>948</u>
Total	\$2.170049	\$ 5,145

(a) Based upon the 2023 average single family home value of \$237,101, as provided by the District's tax assessor/collector.

TAX DATA

Classification of Assessed Valuation - Table 9

Type of Property	2023 ^(a)		2022 ^(a)		2021 ^(a)	
	Amount	%	Amount	%	Amount	%
Land Value	\$ 314,610,552	22.12%	\$ 314,463,875	25.35%	\$ 255,081,169	23.18%
Improvement Value	1,272,621,297	89.49%	1,047,624,746	84.45%	924,316,560	84.00%
Personal Value	22,445,360	1.58%	23,998,872	1.93%	18,942,328	1.72%
Exemptions	<u>(187,566,906)</u>	<u>-13.19%</u>	<u>(145,575,928)</u>	<u>-11.74%</u>	<u>(97,905,800)</u>	<u>-8.90%</u>
Total	<u>\$1,422,110,303</u>	<u>100.00%</u>	<u>\$1,240,511,565</u>	<u>100.00%</u>	<u>\$1,100,434,257</u>	<u>100.00%</u>

(a) Provided by the District's tax assessor/collector.

Tax Collections - Table 10

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Tax Year	Assessed Valuation ^(a)	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
1998	\$ 353,746,080	0.6600	\$ 2,334,152	\$ 2,334,024	99.99%	\$ 2,334,024	99.99%	12/31/1999 ^(b)
1999	384,043,700	0.6350	2,438,338	2,437,854	99.98%	2,437,854	99.98%	12/31/2000 ^(b)
2000	414,440,940	0.6050	2,506,737	2,506,276	99.98%	2,506,276	99.98%	12/31/2001 ^(b)
2001	456,438,060	0.5800	2,645,729	2,645,388	99.99%	2,645,388	99.99%	12/31/2002 ^(b)
2002	469,115,040	0.5500	2,577,690	2,577,690	100.00%	2,577,690	100.00%	12/31/2003 ^(b)
2003	501,682,910	0.5200	2,668,488	2,668,488	100.00%	2,668,488	100.00%	12/31/2004 ^(b)
2004	531,127,200	0.5200	2,755,972	2,755,675	99.99%	2,755,675	99.99%	12/31/2005 ^(b)
2005	551,180,691	0.5200	3,041,042	3,041,042	100.00%	3,041,042	100.00%	12/31/2006 ^(b)
2006	605,412,584	0.5200	3,168,480	3,167,846	99.98%	3,167,846	99.98%	12/31/2007 ^(b)
2007	603,922,244	0.5200	3,142,244	3,141,544	99.98%	3,141,544	99.98%	12/31/2008 ^(b)
2008	650,305,017	0.4000	2,604,602	2,603,621	99.96%	2,603,621	99.96%	12/31/2009 ^(b)
2009	648,093,039	0.4000	2,568,035	2,566,705	99.95%	2,566,705	99.95%	12/31/2010 ^(b)
2010	647,844,299	0.4000	2,561,952	2,560,236	99.93%	2,560,236	99.93%	12/31/2011 ^(b)
2011	641,690,232	0.4000	2,555,868	2,553,723	99.92%	2,553,723	99.92%	12/31/2012 ^(b)
2012	637,311,992	0.4000	2,534,552	2,532,063	99.90%	2,532,063	99.90%	12/31/2013 ^(b)
2013	641,203,901	0.4000	2,554,592	2,551,631	99.88%	2,551,631	99.88%	12/31/2014 ^(b)
2014	685,596,565	0.4000	2,737,331	2,733,824	99.87%	2,733,824	99.87%	12/31/2015 ^(b)
2015	739,949,323	0.4000	2,949,218	2,944,356	99.84%	2,944,356	99.84%	12/31/2016 ^(b)
2016	358,923,933	0.4000	3,237,629	3,229,697	99.76%	3,229,697	99.76%	12/31/2017 ^(b)
2017	428,613,998	0.4000	3,465,319	3,454,357	99.68%	3,454,357	99.68%	12/31/2018 ^(b)
2018	523,587,442	0.4000	3,548,141	3,537,296	99.69%	3,537,296	99.69%	12/31/2019 ^(b)
2019	567,910,018	0.4000	3,856,899	3,841,845	99.61%	3,841,845	99.61%	12/31/2020 ^(b)
2020	941,767,505	0.4000	4,067,628	4,056,645	99.73%	4,056,645	99.73%	12/31/2021 ^(b)
2021	1,100,434,257	0.4000	4,401,738	4,384,568	99.61%	4,384,568	99.61%	12/31/2022 ^(b)
2022	1,240,511,565	0.4000	4,962,046	4,921,853	99.19%	4,921,853	99.19%	12/31/2023 ^(b)
2023	1,422,110,303	0.4000	5,691,927	5,578,088	98.00%	5,578,088	98.00%	12/31/2024 ^(c)

(a) Assessed Valuation reflects the adjusted value at December 31st of each respective year as reflected in the audited financial statement.

(b) Audited.

(c) Unaudited. Reflects collections through July 31, 2024.

District Tax Rates - Table 11

Tax Rate per \$100 Assessed Valuation	2023	2022	2021	2020	2019
Debt Service	\$ 0.4000	\$ 0.4000	\$ 0.4000	\$ 0.4000	\$ 0.4000
Maintenance and Operations	-	-	-	-	-
Total	\$0.4000	\$0.4000	\$0.4000	\$0.4000	\$0.4000

Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above, the District levied a 2023 debt service tax rate of \$0.4000 per \$100 assessed valuation.

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2023, 2022 and 2021 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2023	2022	2021
C & W Management LLC	Commercial Building	\$ 69,355,111	(a)	(a)
Baybrook LL LLC		(a)	\$ 67,721,962	\$ 65,330,000
August Property Owner LLC	Investments	57,500,047	(a)	(a)
SPCP Edge CL	Commercial Building	30,175,035	25,387,858	19,243,124
Friendswood Apartments		(a)	14,243,089	(a)
CD Friendswood LLC	Commercial Building	13,888,696	(a)	(a)
MDDS Properties LLC	Land and Improvements	9,187,483	9,276,746	9,260,357
2300 Bay Aread SP LLC	Shopping Center	7,944,023	7,783,060	7,587,830
Bay 528 Plaza LLC	Land and Improvements	6,339,300	6,324,511	7,296,229
CSH 2016 2 Borrower LLC	Storage Units/Warehouses	6,156,746	5,567,876	4,748,084
Centerpoint Energy Houston Electric	Utilities	5,479,460	5,056,310	4,363,060
Storage Trust Properties	Land and Improvements	5,058,023	4,881,379	4,578,048
Stephens Pipe Houston LLC		(a)	(a)	2,897,060
Total		\$ 211,083,924	\$ 146,242,791	\$ 125,303,792
Percent of Assessed Valuation		14.84%	11.79%	11.39%

(a) Not a principal taxpayer for respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2023 Certified Assessed Valuation, 2024 Preliminary Assessed Valuation and the Estimated Assessed Valuation as of July 1, 2024, and utilize tax rates adequate to service the District's total debt service requirements. No available Bond Funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Requirement on the Bonds and the Outstanding Bonds (2024 through 2042).....	\$3,108,133
\$0.24 Tax Rate on 2023 Certified Assessed Valuation of \$1,420,729,949 @ 95% collections produces.....	\$3,239,264
\$0.23 Tax Rate on 2024 Preliminary Assessed Valuation of \$1,486,922,198 @ 95% collections produces.....	\$3,248,925
\$0.23 Tax Rate on Estimated Assessed Valuation as of July 1, 2024 of \$1,475,200,029 @ 95% collections produces.....	\$3,223,312
Maximum Requirement on the Bonds (2032)	\$3,391,895
\$0.26 Tax Rate on 2023 Certified Assessed Valuation of \$1,420,729,949 @ 95% collections produces.....	\$3,509,203
\$0.25 Tax Rate on 2024 Preliminary Assessed Valuation of \$1,486,922,198 @ 95% collections produces.....	\$3,531,440
\$0.25 Tax Rate on Estimated Assessed Valuation as of July 1, 2024 of \$1,475,200,029 @ 95% collections produces.....	\$3,503,600

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Bond Fund Management Index

Debt Service Requirements for year ending 12/31/24.....		\$2,244,147 ^(a)
Unaudited Debt Service Fund Balance as of 9/30/2023.....	\$17,948,951 ^(b)	
2023 Debt Service Tax Levy @ 95% collections produces.....	<u>\$5,398,774^(c)</u>	
Total Available for Debt Service.....		<u>\$23,347,725</u>
Projected Bond Fund Balance as of August 2, 2024.....		\$21,103,578

- (a) Interest payments on the Bonds begin February 1, 2025.
- (b) Audited debt service fund balance as of September 30, 2023. Represents the debt service fund balance after all 2023 debt service requirements have been paid.
- (c) The District levied a 2023 debt service tax rate of \$0.4000 in October 2023, collection of which is due with no penalty by January 31, 2024. The District anticipates levying its 2024 total tax rate at its October meeting.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes an appraisal district and an appraisal review board in each county of the State. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, school districts, and conservation and reclamation districts such as the District that participate in the appraisal district and of the county. The board of directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. All taxing units within Harris County, including the District, are included in the Harris County Appraisal District (the "Appraisal District"). The Appraisal District is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board. The District must use the appraisal roll as approved by the Harris County Appraisal Review Board to establish its tax roll and tax rate. 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

General: 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.

Veterans Exemptions: The District must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability of the veteran if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran’s or surviving spouse’s residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran’s disability rating if the residential homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse’s residential homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to subsequent homesteads.

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

Freeport Goods Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990, may continue to tax freeport and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. A "Goods-in-Transit" exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to 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. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicles, vessel and outboard motor, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the City of Houston (after annexation of the District), the Cypress-Fairbanks Independent School District, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the agreement. Effective September 1, 1999, the terms of the tax abatement agreements of the taxing jurisdiction are not required to be identical.

Valuation of Property for Taxation

Generally, all taxable property in the District must be appraised by the Harris County Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. In determining market value, either for replacement cost or the market data method of valuation may be used, whichever is appropriate.

Certain land may be appraised at less than market value under the Property Tax Code. A residence homestead is 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. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. Land which qualifies as an aesthetic management zone, critical wildlife management zone, or streamside management zone or is being regenerated for timber production for 10 years after harvest is valued at one-half that amount. In the case of both open space and timber land valuations, if the use of land changes, an additional tax is generally imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land. Also, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased, or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business, upon application of the owner.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal District at least one every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The 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% 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.

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

District and Taxpayer Remedies

The chief appraiser must give written notice before the Appraisal Review Board meeting to an affected owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption, or a determination that land qualifies for a special use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements, and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, and any unused increment rates authorized by the Property Tax Code for the preceding tax year, are and any unused increment rates authorized by the Property Tax Code for the preceding tax year, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for the Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding tax year, plus any unused increment rates (the "voter-approval tax rate"). An election is not required if the adopted tax rate is less than or equal to the voter-approval tax rate. 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: The qualified voters of these Developing Districts, upon a Developing District's adoption of 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 in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The Board of Directors of the District designated the District a Developed District for purposes of the 2023 tax year, but the District cannot give any assurances as to what its classification will be at any future 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 on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" and "- Overlapping Taxes for 2023." 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. 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 (in the case of a residential homestead or agricultural property, a taxpayer may

redeem such property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records, otherwise six (6) months) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "- Tax Collections and Foreclosure Remedies."

Reappraisal of Property after Disaster

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

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 service in the year following a disaster.

After January 1, 2020, a district may adopt an exemption for a portion of the value of the property damaged by a declared national disaster based on the percentage of damage to the property.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Norton Rose Fulbright US LLP, Houston, Texas ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS – Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold, and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to an opinion of Bond Counsel, to the effect that, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the

investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, S corporations with "subchapter C" earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent (15%) of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such accrued interest may be required to be taken into account the amount of the branch profits tax applicable to certain corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale, or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Not Qualified Tax-Exempt Obligations for Financial Institutions

The Bonds are NOT “qualified tax-exempt obligations” for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to certain information to the Municipal Securities Rulemaking Board (“MSRB”). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

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 it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders 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, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or government authority, or the entry of an order confirming a plan of reorganization arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Order.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

The District shall be obligated to observe and perform the covenants specified in the Order for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by the Order of any Bond calls and defeasance that cause the District to be no longer such an "obligated person."

The provisions of the Order are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Order and does not undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or thereby undertake to update any information, except as expressly provided in the Order. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

Under no circumstances shall the District be liable to the holder or beneficial owner of any bond or any other person, in contract or tort, for damages resulting in whole or in part from any breach by the District, whether negligent or without fault on its part, of any covenant specified in the order, but every right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for mandamus or specific performance.

No default by the District in observing or performing its obligations under this Article shall constitute a breach of or default under the Order for purposes of any other provision of the Order.

Nothing in the Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations or businesses of the District, but only if (1) the provisions of the Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. If the District so amends the provisions of the Order, the District shall include with any amended financial information or operating data next provided in accordance with the Order an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance with Prior Undertakings

In the past five years, the District is in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement was compiled and edited by the District's Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DISTRICT" and "THE SYSTEM" – District Engineer;
"FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District,
"FINANCIAL STATEMENT – Assessed Value" – Equi-Tax, Inc. (with information provided by Harris County Appraisal District);
"INVESTMENT AUTHORITY AND PRACTICES OF THE DISTRICT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor;
"THE SYSTEM - Water and Wastewater Operations" – Records of the District;
"TAX DATA" – Tax Assessor and Collector;
"THE DISTRICT - Management of the District" - District Directors;
"DEBT SERVICE REQUIREMENTS – TABLE 3" - Financial Advisor;
"THE BONDS" (except "Payment Record", "DTC Redemption Provisions") – Norton Rose Fulbright US LLP;
"TAXING PROCEDURES" - Norton Rose Fulbright US LLP
"LEGAL MATTERS" - Norton Rose Fulbright US LLP
"TAX MATTERS" - Norton Rose Fulbright US LLP
"CONTINUING DISCLOSURE OF INFORMATION" (except "Compliance with Prior Undertakings") - Norton Rose Fulbright US LLP

Bond Counsel has reviewed the summaries included herein contained under the captions "THE BONDS" (but not under the heading "Payment Record"), and "CONTINUING DISCLOSURE OF INFORMATION" (but not under the heading "Compliance with Prior Undertakings"), to determine that such summaries correctly describe the Bonds and the Bond Order for the purposes intended, and that matters discussed herein under the headings "THE DISTRICT – General", "TAXING PROCEDURES", and "TAX MATTERS," are correct as to matters of law.

Consultants

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

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by BGE, Inc. and has been included in reliance upon the authority of said firm in the field of civil engineering.

Auditor: The District's audited financial statements for the fiscal year ended December 31, 2023 were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "Appendix A" for a copy of the District's Audited Financial Statements as of December 31, 2023.

Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Harris County Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Equi-Tax in reliance upon their authority in the field of tax assessing and collecting.

Updating the Official Statement during Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts and sources listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other

governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Initial Purchaser.

Annual Audits

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year once the District has issued bonds or has assets or receipts in excess of \$100,000. Prior to selling bonds or having assets over \$100,000, the District is allowed under State law to file a financial report in lieu of an audit. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of charges prescribed by the Texas General Services Commission.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 55, as of the date shown on the first page hereof.

PHOTOGRAPHS

The following photographs were taken in the District in July 2024. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."











































APPENDIX A

The information contained in this appendix include the audited financial statement of Harris County Municipal Utility District No. 55 for the fiscal year ended December 31, 2023.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	10-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	14
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	15-16
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	17
NOTES TO THE FINANCIAL STATEMENTS	18-34
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	36
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to financial statements)	
SERVICES AND RATES	38-40
GENERAL FUND EXPENDITURES	41-42
INVESTMENTS	43
TAXES LEVIED AND RECEIVABLE	44-45
ASSESSED VALUE BY CLASSIFICATION	46
PRINCIPAL TAXPAYERS	47
LONG-TERM DEBT SERVICE REQUIREMENTS	48-51
CHANGE IN LONG-TERM BOND DEBT	52-53
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	54-57
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	58-59

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 55
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. 55 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 16, 2024

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Management’s discussion and analysis of Harris County Municipal Utility District No. 55’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$32,291,297 as of December 31, 2023.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 37,866,216	\$ 36,981,898	\$ 884,318
Capital Assets (Net of Accumulated Depreciation)	24,778,582	21,931,816	2,846,766
Total Assets	\$ 62,644,798	\$ 58,913,714	\$ 3,731,084
Long -Term Liabilities	\$ 21,749,382	\$ 23,799,829	\$ 2,050,447
Other Liabilities	2,915,678	3,052,362	136,684
Total Liabilities	\$ 24,665,060	\$ 26,852,191	\$ 2,187,131
Deferred Inflows of Resources	\$ 5,688,441	\$ 4,962,046	\$ (726,395)
Net Position:			
Net Investment in Capital Assets	\$ 13,023,259	\$ 11,577,221	\$ 1,446,038
Restricted	12,040,240	9,317,772	2,722,468
Unrestricted	7,227,798	6,204,484	1,023,314
Total Net Position	\$ 32,291,297	\$ 27,099,477	\$ 5,191,820

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

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,912,918	\$ 4,324,697	\$ 588,221
Charges for Services	5,681,911	5,323,483	358,428
Other Revenues	1,839,038	772,100	1,066,938
Total Revenues	\$ 12,433,867	\$ 10,420,280	\$ 2,013,587
Expenses for Services	7,242,047	7,481,060	239,013
Change in Net Position	\$ 5,191,820	\$ 2,939,220	\$ 2,252,600
Net Position, Beginning of Year	27,099,477	24,160,257	2,939,220
Net Position, End of Year	\$ 32,291,297	\$ 27,099,477	\$ 5,191,820

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2023, were \$31,318,411, an increase of \$130,065 from the prior year.

The General Fund fund balance increased by \$1,023,314, primarily due to service revenues exceeding operating expenditures and capital costs.

The Debt Service Fund fund balance increased by \$2,677,926 primarily due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$3,571,175, primarily due to use of bond proceeds received in the prior year to fund current year capital expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. The budget was amended to increase the budgeted amounts for fire fighting and ambulance service revenues and investment revenues as well as the contracted services expense. Actual revenues were \$8,890 more than budgeted revenues, actual expenditures were \$508,054 more than budgeted expenditures and unbudgeted transfers were \$530,835. This resulted in a positive variance of \$31,671. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2023, amount to \$24,778,582 (net of accumulated depreciation). These capital assets include land, buildings and equipment as well as the water and wastewater systems. Capital asset events during the current fiscal year included construction and engineering costs associated with the Blue Mesa waterline repairs and lift station repairs, southeast transmission line, Heritage Park parking lot improvements, and construction and engineering costs for the lift station force main project with Gulf Coast Authority.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 130,464	\$ 130,464	\$
Construction in Progress	2,584,012	50,542	2,533,470
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	189,395	209,935	(20,540)
Water System	2,475,598	2,551,441	(75,843)
Wastewater System	8,653,603	9,002,959	(349,356)
Drainage System	3,328,766	3,426,332	(97,566)
Investment in Wastewater Treatment Plant	2,033,097	2,088,164	(55,067)
Investment in Surface Water Capacity	5,383,647	4,471,979	911,668
Total Net Capital Assets	\$ 24,778,582	\$ 21,931,816	\$ 2,846,766

Additional information on the District's capital assets can be found in Note 6 of this report.

LONG-TERM DEBT ACTIVITY

As of December 31, 2023, the District had total bond debt payable of \$23,445,000. The changes in the debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Bond Debt Payable, January 1, 2023	\$ 25,520,000
Less: Bond Principal Paid	2,075,000
Bond Debt Payable, December 31, 2023	\$ 23,445,000

The District's Series 2019 Refunding Bonds and Series 2022 carry an underlying rating of "A1" by Moody's. The Series 2019 Refunding Bonds and Series 2022 carry an insured rating from Standard and Poor's of "AA" by virtue of bond insurance issued by Build America Mutual and Assured Guaranty, respectively. The Series 2016 Refunding Bonds are not rated. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above reflect all rating changes of bond insurers through December 31, 2023.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 55, c/o Norton Rose Fulbright US LLP, 1301 McKinney Avenue, Suite 5100, Houston, TX 77010-3095.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 510,939	\$ 390,503
Investments	5,608,224	12,848,884
Receivables:		
Property Taxes		4,709,564
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$5,500)	493,380	
Accrued Interest	17,205	
Due from Other Funds	908,839	
Prepaid Costs	124,527	
Due from Other Governmental Units	41,620	
Advance for Regional Wastewater Treatment Plant Operations	226,992	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 7,931,726	\$ 17,948,951

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 12,857,898	\$ 901,442	\$	\$ 901,442
	31,315,006		31,315,006
	4,709,564		4,709,564
		36,480	36,480
	493,380		493,380
	17,205		17,205
	908,839	(908,839)	
	124,527		124,527
	41,620		41,620
	226,992		226,992
		130,464	130,464
		2,584,012	2,584,012
		22,064,106	22,064,106
<u>\$ 12,857,898</u>	<u>\$ 38,738,575</u>	<u>\$ 23,906,223</u>	<u>\$ 62,644,798</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 397,692	\$ 1,851
Accrued Interest Payable		
Due to Other Funds		
Security Deposits	306,236	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 703,928	\$ 1,851
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ - 0 -	\$ 5,805,546
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 124,527	\$
For Regional Wastewater Treatment Plant		
Operations	226,992	
Restricted for Authorized Construction		
Restricted for Debt Service		12,141,554
Unassigned	6,876,279	
TOTAL FUND BALANCES	\$ 7,227,798	\$ 12,141,554
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,931,726	\$ 17,948,951
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 399,543	\$	\$ 399,543
		254,899	254,899
908,839	908,839	(908,839)	
	306,236		306,236
		1,955,000	1,955,000
		21,749,382	21,749,382
<u>\$ 908,839</u>	<u>\$ 1,614,618</u>	<u>\$ 23,050,442</u>	<u>\$ 24,665,060</u>
<u>\$ - 0 -</u>	<u>\$ 5,805,546</u>	<u>\$ (117,105)</u>	<u>\$ 5,688,441</u>
\$	\$ 124,527	\$ (124,527)	\$
	226,992	(226,992)	
11,949,059	11,949,059	(11,949,059)	
	12,141,554	(12,141,554)	
	6,876,279	(6,876,279)	
<u>\$ 11,949,059</u>	<u>\$ 31,318,411</u>	<u>\$ (31,318,411)</u>	<u>\$ - 0 -</u>
<u>\$ 12,857,898</u>	<u>\$ 38,738,575</u>		
		\$ 13,023,259	\$ 13,023,259
		12,040,240	12,040,240
		7,227,798	7,227,798
		<u>\$ 32,291,297</u>	<u>\$ 32,291,297</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total Fund Balances - Governmental Funds \$ 31,318,411

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 24,778,582

Deferred inflows of resources related to property tax revenues and penalty and interest revenues on delinquent taxes for the 2022 and prior levies became part of recognized revenue in the governmental activities of the District. 153,585

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (254,899)	
Bonds Payable Within One Year	(1,955,000)	
Bonds Payable After One Year	<u>(21,749,382)</u>	<u>(23,959,281)</u>
Total Net Position - Governmental Activities		<u>\$ 32,291,297</u>

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$	\$ 4,894,105
Service Charge	1,816,091	
Water Service	601,392	
Wastewater Service	1,104,725	
Fire Fighting and Ambulance Service	1,434,880	
Law Enforcement Service	356,536	
Sales and Use Tax Revenue	185,255	
Penalty and Interest	69,811	36,521
Tap Connection and Inspection Fees	266,036	
Investment Revenues	253,271	596,074
Miscellaneous Revenues	91,693	38
TOTAL REVENUES	\$ 6,179,690	\$ 5,526,738
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 223,543	\$ 11,603
Contracted Services	2,203,431	105,125
Purchased Water Service	464,548	
Purchased Wastewater Service	1,153,351	
Utilities	75,523	
Repairs and Maintenance	980,154	
Depreciation		
Other	283,557	17,204
Capital Outlay	303,104	
Debt Service:		
Bond Principal		2,075,000
Bond Interest		639,880
TOTAL EXPENDITURES/EXPENSES	\$ 5,687,211	\$ 2,848,812
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 492,479	\$ 2,677,926
OTHER FINANCING SOURCES (USES)		
Transfers In/(Out)	\$ 530,835	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 1,023,314	\$ 2,677,926
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2023	6,204,484	9,463,628
FUND BALANCES/NET POSITION - DECEMBER 31, 2023	\$ 7,227,798	\$ 12,141,554

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,894,105	\$ 18,813	\$ 4,912,918
	1,816,091		1,816,091
	601,392		601,392
	1,104,725		1,104,725
	1,434,880		1,434,880
	356,536		356,536
	185,255		185,255
	106,332	(4,081)	102,251
	266,036		266,036
712,707	1,562,052		1,562,052
	91,731		91,731
<u>\$ 712,707</u>	<u>\$ 12,419,135</u>	<u>\$ 14,732</u>	<u>\$ 12,433,867</u>
\$	\$ 235,146	\$	\$ 235,146
	2,308,556		2,308,556
	464,548		464,548
	1,153,351		1,153,351
	75,523		75,523
273,160	1,253,314		1,253,314
		936,225	936,225
	300,761		300,761
3,479,887	3,782,991	(3,782,991)	
	2,075,000	(2,075,000)	
	639,880	(125,257)	514,623
<u>\$ 3,753,047</u>	<u>\$ 12,289,070</u>	<u>\$ (5,047,023)</u>	<u>\$ 7,242,047</u>
<u>\$ (3,040,340)</u>	<u>\$ 130,065</u>	<u>\$ 5,061,755</u>	<u>\$ 5,191,820</u>
<u>\$ (530,835)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ (3,571,175)	\$ 130,065	\$ (130,065)	\$
		5,191,820	5,191,820
15,520,234	31,188,346	(4,088,869)	27,099,477
<u>\$ 11,949,059</u>	<u>\$ 31,318,411</u>	<u>\$ 972,886</u>	<u>\$ 32,291,297</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$	130,065
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		18,813
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(4,081)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(936,225)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		3,782,991
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		2,075,000
Governmental funds report interest payments on long-term liabilities as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		125,257
Change in Net Position - Governmental Activities	\$	<u>5,191,820</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 55 of Harris County, Texas (the “District”) was created effective July 24, 1974 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 7, 1974 and the first bonds were sold on December 30, 1974.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units. The District is a participant in a joint venture for the construction and operations of the Blackhawk Central Wastewater Treatment Plant as administered by the Gulf Coast Authority. For additional disclosures see Note 8.

Financial Statement Presentation

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include collections of the 2022 tax levy during the period October 1, 2022, to December 31, 2023, and taxes collected from January 1, 2023, to December 31, 2023 for the 2021 and prior tax levies. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. The 2023 tax levy has been fully deferred to meet the operating expenditures for the 2024 year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2023, the Capital Projects Fund owed \$908,839 to the General Fund for capital outlay paid from the General Fund. During the current fiscal year, the Capital Projects Fund transferred \$530,835 to the General Fund for the reimbursement of capital outlay paid from the operating fund in a prior year.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG TERM DEBT

	Refunding Series 2016	Refunding Series 2019	Series 2022
Amounts Outstanding – December 31, 2023	\$ 1,040,000	\$ 4,725,000	\$ 17,680,000
Interest Rates	1.799%	4.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	February 1, 2024/2025	February 1, 2024/2027	February 1, 2024/2041
Interest Payment Dates	February 1, August 1	February 1, August 1	February 1, August 1
Callable Dates	February 1, 2022*	N/A	February 1, 2028*

* Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2022 term bonds maturing on February 1, 2041 are subject to mandatory redemption beginning February 1, 2040. The Series 2016 Refunding Bonds are private placement bonds.

The following is a summary of transactions regarding long-term liabilities for the year ended December 31, 2023:

	January 1, 2023	Additions	Retirements	December 31, 2023
Bonds Payable	\$ 25,520,000	\$	\$ 2,075,000	\$ 23,445,000
Unamortized Discounts	(151,933)		(8,382)	(143,551)
Unamortized Premiums	506,762		103,829	402,933
Bonds Payable, Net	<u>\$ 25,874,829</u>	<u>\$ -0-</u>	<u>\$ 2,170,447</u>	<u>\$ 23,704,382</u>
		Amount Due Within One Year		\$ 1,955,000
		Amount Due After One Year		<u>21,749,382</u>
		Bonds Payable, Net		<u>\$ 23,704,382</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3. LONG TERM DEBT (Continued)

As of December 31, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,955,000	\$ 578,295	\$ 2,533,295
2025	2,030,000	510,090	2,540,090
2026	875,000	457,873	1,332,873
2027	925,000	421,923	1,346,923
2028	1,050,000	387,698	1,437,698
2029-2033	5,705,000	1,580,685	7,285,685
2034-2038	6,540,000	935,258	7,475,258
2039-2041	4,365,000	165,688	4,530,688
	<u>\$ 23,445,000</u>	<u>\$ 5,037,510</u>	<u>\$ 28,482,510</u>

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>	<u>Park and Recreational Bonds</u>
Amount Authorized by Voters	\$ 96,440,000	\$ 50,000,000	\$ 5,900,000
Amount Issued	<u>72,525,000</u>	<u>16,198,645</u>	<u>5,900,000</u>
Remaining to be Issued	<u>\$ 23,915,000</u>	<u>\$ 33,801,355</u>	<u>\$ - 0 -</u>

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

During the year ended December 31, 2023, the District levied an ad valorem debt service tax rate of \$0.40 per \$100 of assessed valuation, which resulted in a tax levy of \$5,688,441 on the adjusted taxable valuation of \$1,422,110,303 for the 2023 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS

The Series 2016 Refunding, 2019 Refunding and Series 2022 bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository and the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$1,351,442 and the bank balance was \$1,586,952. The District was not subject to custodial credit risk at year-end.

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

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 510,939	\$ 450,000	\$ 960,939
DEBT SERVICE FUND	390,503		390,503
TOTAL DEPOSITS	\$ 901,442	\$ 450,000	\$ 1,351,442

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District’s investments in certificates of deposit are recorded at acquisition cost.

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

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$ 5,158,224	\$ 5,158,224
Certificates of Deposit	450,000	450,000
<u>DEBT SERVICE FUND</u>		
TexPool	12,848,884	12,848,884
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>12,857,898</u>	<u>12,857,898</u>
TOTAL INVESTMENTS	<u>\$ 31,315,006</u>	<u>\$ 31,315,006</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023, the District’s investments in TexPool was rated AAAM by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

All cash and investment of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023:

	January 1, 2023	Increases	Decreases	December 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 130,464	\$	\$	\$ 130,464
Construction in Progress	<u>50,542</u>	<u>3,782,991</u>	<u>1,249,521</u>	<u>2,584,012</u>
Total Capital Assets Not Being Depreciated	<u>\$ 181,006</u>	<u>\$ 3,782,991</u>	<u>\$ 1,249,521</u>	<u>\$ 2,714,476</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 811,749	\$	\$	\$ 811,749
Water System	8,855,839	129,904		8,985,743
Wastewater System	15,881,280			15,881,280
Drainage System	4,390,492			4,390,492
Investment in Wastewater Treatment Plant	6,244,800			6,244,800
Investment in Surface Water Capacity	<u>7,518,635</u>	<u>1,119,617</u>		<u>8,638,252</u>
Total Capital Assets Subject to Depreciation	<u>\$ 43,702,795</u>	<u>\$ 1,249,521</u>	<u>\$ - 0 -</u>	<u>\$ 44,952,316</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 601,814	\$ 20,540	\$	\$ 622,354
Water System	6,304,398	205,747		6,510,145
Wastewater System	6,878,321	349,356		7,227,677
Drainage System	964,160	97,566		1,061,726
Investment in Wastewater Treatment Plant	4,156,636	55,067		4,211,703
Investment in Surface Water Capacity	<u>3,046,656</u>	<u>207,949</u>		<u>3,254,605</u>
Total Accumulated Depreciation	<u>\$ 21,951,985</u>	<u>\$ 936,225</u>	<u>\$ - 0 -</u>	<u>\$ 22,888,210</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,750,810</u>	<u>\$ 313,296</u>	<u>\$ - 0 -</u>	<u>\$ 22,064,106</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,931,816</u>	<u>\$ 4,096,287</u>	<u>\$ 1,249,521</u>	<u>\$ 24,778,582</u>

The District has financed drainage facilities and park facilities which have been conveyed to other entities for maintenance.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7. MAINTENANCE TAX

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. Such tax would be in addition to taxes, which the District is authorized to levy for paying principal of and interest on the outstanding bonds, and any tax bonds, which may be issued in the future. To date, voters in the District have not approved the levy of a maintenance tax.

NOTE 8. WASTE DISPOSAL CONTRACT

The District entered into a Waste Disposal Contract with the Gulf Coast Waste Disposal Authority (the “Authority”) on December 12, 1974, whereby the Authority agreed to build and operate a regional waste treatment plant, Blackhawk Regional Facility. The Authority was officially renamed from Gulf Coast Waste Disposal Authority to Gulf Coast Authority by passage of SB1489 in 2017. In prior periods, the District participated with other parties in the construction of two phases of the plant.

The participating parties and their respective pro rata share of capacity in the regional sewage treatment plant are:

	<u>Gallons Per Day Capacity</u>	<u>Percentage of Total Capacity</u>
Harris County Municipal Utility District No. 55	1,965,000	21.24%
The City of Friendswood	5,500,000	59.45
The City of Houston	761,000	8.23
Baybrook Municipal Utility District No. 1	<u>1,025,000</u>	<u>11.08</u>
TOTAL	<u>9,251,000</u>	<u>100.00%</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8. WASTE DISPOSAL CONTRACT (Continued)

The following summary financial data of Gulf Coast Authority Special Revenue Fund – Blackhawk Regional Facility is presented for the fiscal year ended December 31, 2023, which is the latest audited financial data on the plant.

	Joint Venture Enterprise Fund
Assets	
Current Assets	\$ 2,714,201
Non-Current Assets	<u>12,811,064</u>
Total Assets	<u>\$ 15,525,265</u>
Liabilities	
Current Liabilities	\$ 772,439
Non-Current Liabilities	<u>1,068,550</u>
Total Liabilities	<u>\$ 1,840,989</u>
Net Position	
Net Investment in Capital Assets	\$ 12,811,064
Unrestricted	<u>873,212</u>
	<u>\$ 13,684,276</u>

During the current year, the District paid or accrued invoices in the amount of \$1,153,351 for its share of operations and maintenance of this plant. The District has advanced \$226,992 for its pro rata share of operations of the Regional Sewage Treatment Plant. Audited financial statements of the Authority are available by writing the Authority at 910 Bay Area Blvd., Houston, TX 77058 or calling (281) 488-4115.

NOTE 9. CONTRACT FOR FIRE FIGHTING SERVICES

A Fire Fighting Services Plan and Contract was approved by the District’s voters on August 10, 1985, and by the Commission on August 22, 1985.

On October 22, 1985, and as amended October 7, 1986, February 14, 1989, October 21, 1997, July 16, 2002, April 20, 2004 and July 17, 2007 the District entered into a contract with Forest Bend Volunteer Fire Department, Inc. (“Department”), whereby the Volunteer Fire Department agrees to provide fire fighting services within the District’s boundaries. The District agrees to pay the Department monthly in the amount of one-twelfth of the Department’s approved annual budget. The term of the contract shall automatically renew for additional periods of one year each, commencing on December 31, 1985, unless written notice of termination is given by either party at least six months prior to the termination date of the contract or any extension period.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9. CONTRACT FOR FIRE FIGHTING SERVICES (Continued)

In accordance with the current rate order, the District charges residents of the District \$10.63 per home per month for fire fighting services. During the current fiscal year, the District recorded fire fighting service revenue of \$753,220 and fire fighting service expenditures of \$696,574 including a payable of \$64,181 as of December 31, 2023.

NOTE 10. SURFACE WATER SUPPLY AGREEMENT

On July 13, 1987, the District entered into a Cost Sharing Water Project Contract with the City of Houston (the "City"). The contract was amended on March 28, 1990, and December 10, 1997. This agreement provides for the acquisition and construction of the Southeast Water Purification Plant (the "Plant") to serve both the City and the District. The City also contracted, by separate agreement, with other entities for equitable shares of the plant. The project consisted of certain raw surface water transmission facilities and surface water treatment facilities capable of producing 80 million gallons of water per day and certain treated water storage facilities, treated water pumping facilities and treated water distribution pipe-lines capable of storing 25 million gallons of water and pumping 156,000 gallons of water per minute. Upon completion of the project, the District paid its pro rata share of actual production construction cost and actual pumping construction cost. With these acquisitions and purchases, the District owned a total demand capacity of 0.9750 MGD in the Plant. Along with the demand allocation, the District also had 1.1560 MGD in the pumping allocation and 1.450 MGD in the distribution allocation of the Plant.

On April 28, 1998, the District entered into a water capacity purchase and sale agreement with Gulf Coast Water Authority ("GCWA") acting on behalf of the City of Galveston ("Galveston"). Under such agreement, Galveston would sell the District a portion of its share of capacity in the Plant upon the completion of the addition of capacity to the Thomas S. Mackey Water Treatment Plant. The agreement called for the District to place the purchase price of \$2,337,600 in escrow. On September 24, 2001, the District transferred the escrowed funds to the GCWA to purchase an additional 2.0 MGD in the Plant. In addition, the District also purchased an additional 1.4875 MGD in the Plant from the City at the purchase price of \$855,694.

On or about June 21, 2001, the District entered into the Cost Sharing Agreement related to the Plant with the City and the Plant's other participants. The agreement standardized the relationship among the participants in the Plant, and superseded any and all existing agreements. The agreement also set out the cost sharing to increase the production capacity of the Plant to 120 MGD. Upon the completion of the plant expansion, the District owned a total demand capacity of 4.4625 MGD in the Plant. The District also had 4.2520 MGD capacity in the pumping allocation and the distribution allocation of the Plant. The District subsequently sold 0.5 MGD in capacity to both the City of Friendswood and the GCWA. The District received \$1,168,800 related to the sale of this capacity. This sale reduced the District's demand capacity to 3.4625 MGD.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10. SURFACE WATER SUPPLY AGREEMENT (Continued)

On September 27, 2007, the Amendment to the Cost Sharing Agreement became effective. This agreement outlined the sharing of the costs to increase the production capacity of the Plant to 200 MGD. The District's share of this cost was \$871,156. The District will continue to own a total demand capacity of 3.4625 MGD in the Plant. Along with the demand allocation, the District will also have 4.2520 MGD in the pumping allocation and the distribution allocation of the Plant.

On November 9, 2015, the Replacement Water Line Capacity and Cost Sharing Agreement - New Galveston Line Project was approved by the District. This agreement outlines the sharing costs of constructing a network of new water mains which will replace the existing 42-inch water main and provide 80.03 MGD in total capacity. This agreement only provides costs and work associated with Phase 1 (preliminary engineering report) for the New Galveston Line Project. Subsequent amendments will be made to this agreement to ultimately provide for all costs and work associated with Phase 2 (final design and project property acquisition) and Phase 3 (construction) of the New Galveston Line Project. On January 15, 2019, the agreement was amended to address the scope and cost of work associated with Phases 2 and 3, add Pasadena as a party and to increase GCWA's capacity by an additional 20 MGD.

The City of Houston is responsible for billing the District for their pro rata share of operating and maintenance charges on a quarterly basis. Costs are primarily allocated based upon pumpage. The term of the contract is 40 years and shall be automatically renewed for another 40 years unless terminated in writing by either party no less than sixty days prior to such forty-year anniversary date. As of December 31, 2023, the rate per 1,000 gallons of water received was \$0.8834. During the current fiscal year, the District recorded an expenditure of \$464,548 for water pumped into the District.

NOTE 11. RISK MANAGEMENT

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

NOTE 12. CONTRACT FOR EMERGENCY MEDICAL SERVICES

Effective October 1, 2004, the District entered into a contract with Clear Lake Emergency Medical Corps, Inc. (CLEMC), whereby CLEMC agrees to provide emergency medical care and transportation for the sick and injured within the District's boundaries. The District agrees to compensate CLEMC based upon the number of calls made by residents of the District in relation to the total number of calls for service received by CLEMC multiplied by the total funding required for CLEMC to remain financially solvent, as determined by the CLEMC board of directors. The compensation for each subsequent year is not to exceed 115% of the previous year's compensation. The agreement states that the District will have representation on the

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12. CONTRACT FOR EMERGENCY MEDICAL SERVICES (Continued)

CLEMC board of directors. The term of the contract will automatically renew for additional periods of one year each, commencing on October 1, 2004, unless written notice of termination is given by either party at least 90 days prior to the termination date. The District terminated the contract on October 1, 2019.

Effective October 1, 2019, the District entered into a contract with Windsor Emergency Medical Services (WINDSOR), whereby WINDSOR agrees to provide emergency medical care and transportation for the sick and injured within the District's boundaries. The amount of compensation was \$344,316 from October 1, 2019 to December 31, 2020, then increasing year over year by direct correlation to the Consumer Price Index. The term of the contract will continue on a two-year basis commencing October 1, 2019, unless written notice of termination is given by either party at least 90 days prior to the termination date. Effective February 21, 2023, the contract was amended to increase the compensation to \$661,665 for the first year, which ends December 31, 2023, then increasing year over year.

In October 2004, the District began charging residents of the District in accordance with the contract. The current rate being charged is \$10.47 per home per month. During the current fiscal year, the District recorded emergency medical service revenue of \$681,660 and emergency medical service expenditures of \$632,214, including a prepaid amount of \$56,627 as of December 31, 2023 for the January 2024 payment.

NOTE 13. INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES

The District entered into an Interlocal Agreement for Law Enforcement Services (Agreement) with Harris County, Texas (the "County"). The County agrees to authorize the Sheriff to provide four deputies to devote seventy percent (70%) of their working time providing law enforcement services within the District's geographical boundaries. The District renewed the Agreement to cover the period from October 1, 2023, through September 30, 2024. The District's cost per month during this term is \$33,950.

In accordance with the current rate order, the District charges residents of the District \$6.35 per home per month for law enforcement services. During the current fiscal year, the District recorded law enforcement service revenues of \$356,536 and law enforcement service expenditures of \$345,725. In addition, the District has recorded a prepaid amount of \$67,900 as of December 31, 2023 for the January 2024 and February 2024 payments made prior to year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 14. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 9, 2007, the District entered into a Strategic Partnership Agreement (“SPA”) with the City of Houston, Texas. On December 14, 2021, the First Amended and Restated SPA became effective. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Government Code, the City has annexed tracts of land within the District for limited purposes. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City may not be levied on taxable property within the District. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibilities of the District during the 30-year term of the SPA. The City may not annex the District for full purposes during the term of this agreement. The qualified voters of the District may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the District.

The City imposes a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues collected within the District. The City agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller’s office. The term of this SPA is 30 years from the effective date April 9, 2007. During the current fiscal year, the District recorded revenue of \$185,255 in accordance with this agreement of which \$41,620 was recorded as a receivable as of December 31, 2023.

NOTE 15. USE OF SURPLUS FUNDS

On October 31, 2023, the Commission approved the use of \$1,217,409 of surplus Capital Project Fund monies to finance the improvements to the existing SCADA building and to pay for a portion of the repair costs to the wastewater force main project. In addition, the District requested to reallocate \$51,000 from the original project to fund the wastewater force main project.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Service Charge	\$ 1,740,000	\$ 1,740,000	\$ 1,816,091	\$ 76,091
Water Service	632,000	632,000	601,392	(30,608)
Wastewater Service	1,120,000	1,120,000	1,104,725	(15,275)
Fire Fighting and Ambulance Service	1,405,655	1,450,000	1,434,880	(15,120)
Law Enforcement Service	311,100	356,000	356,536	536
Sales and Use Tax Revenue	175,000	175,000	185,255	10,255
Penalty and Interest	85,000	85,000	69,811	(15,189)
Tap Connection and Inspection Fees	8,500	268,500	266,036	(2,464)
Investment Revenues	40,000	240,000	253,271	13,271
Miscellaneous Revenues	104,300	104,300	91,693	(12,607)
TOTAL REVENUES	\$ 5,621,555	\$ 6,170,800	\$ 6,179,690	\$ 8,890
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 202,500	\$ 202,500	\$ 223,543	\$ (21,043)
Contracted Services	2,131,755	2,222,857	2,203,431	19,426
Purchased Water Service	485,000	485,000	464,548	20,452
Purchased Wastewater Service	898,000	898,000	1,153,351	(255,351)
Utilities	81,500	81,500	75,523	5,977
Repairs and Maintenance	907,000	907,000	980,154	(73,154)
Other	382,300	382,300	283,557	98,743
Capital Outlay			303,104	(303,104)
TOTAL EXPENDITURES	\$ 5,088,055	\$ 5,179,157	\$ 5,687,211	\$ (508,054)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 533,500	\$ 991,643	\$ 492,479	\$ (499,164)
OTHER FINANCING SOURCES(USES)				
Transfers In	\$ -0-	\$ -0-	\$ 530,835	\$ 530,835
NET CHANGE IN FUND BALANCE	\$ 533,500	\$ 991,643	\$ 1,023,314	\$ 31,671
FUND BALANCE - JANUARY 1, 2023	6,204,484	6,204,484	6,204,484	
FUND BALANCE - DECEMBER 31, 2023	\$ 6,737,984	\$ 7,196,127	\$ 7,227,798	\$ 31,671

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2023

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):

Based on the rate order effective December 19, 2023

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>				
WATER:			N	\$ 1.60 \$ 1.65 \$ 2.10 \$ 3.50	0 to 6,000 6,001 to 10,000 10,001 to 20,000 20,001 and up				
WASTEWATER:			N	\$ 2.73 \$ 3.43	0 to 6,000 6,001 and up				
SURCHARGE:									
FIRE PROTECTION	\$ 10.63		Y						
EMERGENCY MEDICAL SERVICE	\$ 10.47		Y						
SERVICE CHARGE	\$ 26.55		Y						
LAW ENFORCEMENT	\$ 6.35		Y						
District employs winter averaging for wastewater usage?					<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">_____</td> <td style="width: 50%; text-align: center;"><u> X </u></td> </tr> <tr> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> </table>	_____	<u> X </u>	Yes	No
_____	<u> X </u>								
Yes	No								

Total monthly charges per 10,000 gallons usage: Water: \$16.20 Wastewater: \$30.10 Surcharge: \$54.00 Total: \$100.30

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2023

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>4,285</u>	<u>4,247</u>	x 1.0	<u>4,247</u>
1"	<u>31</u>	<u>30</u>	x 2.5	<u>75</u>
1½"	<u>18</u>	<u>17</u>	x 5.0	<u>85</u>
2"	<u>48</u>	<u>47</u>	x 8.0	<u>376</u>
3"	<u>3</u>	<u>3</u>	x 15.0	<u>45</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u><u>4,392</u></u>	<u><u>4,351</u></u>		<u><u>5,253</u></u>
Total Wastewater Connections	<u><u>4,343</u></u>	<u><u>4,310</u></u>	x 1.0	<u><u>4,310</u></u>

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

Gallons pumped into system:	52,676,000	Water Accountability Ratio: 97.1% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	398,666,000	
Gallons purchased:	357,758,000	From: City of Houston, Texas

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2023

PROFESSIONAL FEES:	
Auditing	\$ 19,250
Engineering	101,056
Legal	101,177
Financial Advisor	<u>2,060</u>
TOTAL PROFESSIONAL FEES	<u>\$ 223,543</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 464,548
Purchased Wastewater Service	<u>1,153,351</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,617,899</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 25,698
Operations and Billing	<u>446,812</u>
TOTAL CONTRACTED SERVICES	<u>\$ 472,510</u>
UTILITIES:	
Electricity	\$ 61,814
Natural Gas	846
Telephone	<u>12,863</u>
TOTAL UTILITIES	<u>\$ 75,523</u>
REPAIRS AND MAINTENANCE	<u>\$ 980,154</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 27,393
Insurance	43,009
Office Building Maintenance	9,981
Office Supplies and Postage	50,043
Payroll Taxes	2,096
Travel and Meetings	<u>12,412</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 144,934</u>
CAPITAL OUTLAY	<u>\$ 303,104</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2023

LAW ENFORCEMENT	\$ <u>345,725</u>
FIRE FIGHTING	\$ <u>696,574</u>
EMERGENCY MEDICAL SERVICES	\$ <u>688,622</u>
OTHER EXPENDITURES:	
Chemicals	\$ 9,106
Laboratory Fees	42,478
Permit Fees	19,574
Inspection Fees	18,923
Regulatory Assessment	12,585
Other	<u>35,957</u>
TOTAL OTHER EXPENDITURES	\$ <u>138,623</u>
TOTAL EXPENDITURES	\$ <u>5,687,211</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
INVESTMENTS
DECEMBER 31, 2023

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0007	Varies	Daily	\$ 5,158,224	\$
Certificate of Deposit	XXXX1068	4.36%	02/18/24	225,000	8,359
Certificate of Deposit	XXXX5219	4.69%	02/28/24	225,000	8,846
TOTAL GENERAL FUND				<u>\$ 5,608,224</u>	<u>\$ 17,205</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0008	Varies	Daily	\$ 12,848,884	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0014	Varies	Daily	\$ 12,375,366	\$
TexPool	XXXX0015	Varies	Daily	482,532	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 12,857,898</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 31,315,006</u>	<u>\$ 17,205</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023

	Debt Service Taxes	
TAXES RECEIVABLE -		
JANUARY 1, 2023	\$ 3,828,750	
Adjustments to Beginning Balance	(49,127)	\$ 3,779,623
Original 2023 Tax Levy	\$ 5,630,076	
Adjustment to 2023 Tax Levy	58,365	5,688,441
TOTAL TO BE ACCOUNTED FOR		\$ 9,468,064
TAX COLLECTIONS:		
Prior Years	\$ 3,662,517	
Current Year	1,095,983	4,758,500
TAXES RECEIVABLE - DECEMBER 31, 2023		\$ 4,709,564
TAXES RECEIVABLE BY YEAR:		
2023		\$ 4,592,458
2022		40,168
2021		17,165
2020		10,984
2019		9,757
2018		7,701
2017		6,564
2016		4,996
2015		3,259
2014		2,579
2013		2,359
2012		2,359
2011		2,146
2010		1,716
2009		1,330
2008		980
2007		699
2006		634
2004		296
2001		341
2000		461
1999		484
1998		128
TOTAL		\$ 4,709,564

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 314,610,552	\$ 314,463,875	\$ 255,081,169	\$ 221,885,294
Improvements	1,272,621,297	1,047,624,746	924,316,560	863,413,115
Personal Property	22,445,360	23,998,872	18,942,328	18,374,040
Exemptions	<u>(187,566,906)</u>	<u>(145,575,928)</u>	<u>(97,905,800)</u>	<u>(86,765,485)</u>
TOTAL PROPERTY VALUATIONS	<u>\$1,422,110,303</u>	<u>\$1,240,511,565</u>	<u>\$1,100,434,257</u>	<u>\$1,016,906,964</u>
DEBT SERVICE TAX RATES				
PER \$100 VALUATION	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>
ADJUSTED TAX LEVY*				
	<u>\$ 5,688,441</u>	<u>\$ 4,962,046</u>	<u>\$ 4,401,738</u>	<u>\$ 4,067,628</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>19.27 %</u>	<u>99.19 %</u>	<u>99.61 %</u>	<u>99.73 %</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
ASSESSED VALUE BY CLASSIFICATION
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 Tax Roll Year	
Type of Property	Amount	Percentage
Single Family	\$ 1,167,998,979	82.12%
Multi-Family	170,668,177	12.00%
Commercial	79,845,952	5.61%
Vacant Lot	3,597,195	0.25%
Total	\$ 1,422,110,303	100.00%

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
PRINCIPAL TAXPAYERS
FOR THE YEAR ENDED DECEMBER 31, 2023

Top Ten Taxpayers	Assessed Value
1. C & W Management LLC	\$ 69,355,111
2. August Property Owner LLC	57,500,047
3. SPCP Edge CL	30,175,035
4. CD Friendswood LLC	13,888,696
5. MDDS Properties LLC	9,187,483
6. 2300 Bay Aread SP LLC	7,944,023
7. Bay 528 Plaza LLC	6,339,300
8. CSH 2016 2 Borrower LLC	6,156,746
9. Centerpoint Energy Hou Ele	5,479,460
10. Storage Trust Properties	<u>5,058,023</u>
Total Ten Principal Taxpayers	<u>\$ 211,083,924</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

REFUNDING SERIES - 2016

Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2024	\$ 510,000	\$ 14,122	\$ 524,122
2025	530,000	4,767	534,767
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 1,040,000</u>	<u>\$ 18,889</u>	<u>\$ 1,058,889</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

REFUNDING SERIES - 2019

Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2024	\$ 1,440,000	\$ 160,200	\$ 1,600,200
2025	1,495,000	101,500	1,596,500
2026	870,000	54,200	924,200
2027	920,000	18,400	938,400
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 4,725,000</u>	<u>\$ 334,300</u>	<u>\$ 5,059,300</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending December 31	Principal Due February 1	Interest Due February 1/ August 1	Total
2024	\$ 5,000	\$ 403,973	\$ 408,973
2025	5,000	403,823	408,823
2026	5,000	403,673	408,673
2027	5,000	403,523	408,523
2028	1,050,000	387,698	1,437,698
2029	1,080,000	361,147	1,441,147
2030	1,110,000	339,247	1,449,247
2031	1,140,000	316,747	1,456,747
2032	1,170,000	293,647	1,463,647
2033	1,205,000	269,897	1,474,897
2034	1,240,000	244,827	1,484,827
2035	1,270,000	217,837	1,487,837
2036	1,305,000	188,860	1,493,860
2037	1,345,000	158,049	1,503,049
2038	1,380,000	125,685	1,505,685
2039	1,415,000	91,438	1,506,438
2040	1,455,000	55,562	1,510,562
2041	1,495,000	18,688	1,513,688
	<u>\$ 17,680,000</u>	<u>\$ 4,684,321</u>	<u>\$ 22,364,321</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2023

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 1,955,000	\$ 578,295	\$ 2,533,295
2025	2,030,000	510,090	2,540,090
2026	875,000	457,873	1,332,873
2027	925,000	421,923	1,346,923
2028	1,050,000	387,698	1,437,698
2029	1,080,000	361,147	1,441,147
2030	1,110,000	339,247	1,449,247
2031	1,140,000	316,747	1,456,747
2032	1,170,000	293,647	1,463,647
2033	1,205,000	269,897	1,474,897
2034	1,240,000	244,827	1,484,827
2035	1,270,000	217,837	1,487,837
2036	1,305,000	188,860	1,493,860
2037	1,345,000	158,049	1,503,049
2038	1,380,000	125,685	1,505,685
2039	1,415,000	91,438	1,506,438
2040	1,455,000	55,562	1,510,562
2041	1,495,000	18,688	1,513,688
	<u>\$ 23,445,000</u>	<u>\$ 5,037,510</u>	<u>\$ 28,482,510</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023

Description	Original Bonds Issued	Bonds Outstanding January 1, 2023
Harris County Municipal Utility District No. 55 Unlimited Tax Refunding Bonds - Series 2016	\$ 6,770,000	\$ 1,540,000
Harris County Municipal Utility District No. 55 Unlimited Tax Refunding Bonds - Series 2019	7,325,000	6,295,000
Harris County Municipal Utility District No. 55 Unlimited Tax Bonds - Series 2022	<u>17,685,000</u>	<u>17,685,000</u>
TOTAL	<u><u>\$ 31,780,000</u></u>	<u><u>\$ 25,520,000</u></u>

Bond Authority:	Tax Bonds*	Refunding Bonds	Park and Recreational Bonds
Amount Authorized by Voters	\$ 96,440,000	\$ 50,000,000	\$ 5,900,000
Amount Issued	<u>72,525,000</u>	<u>16,198,645</u>	<u>5,900,000</u>
Remaining to be Issued	<u><u>\$ 23,915,000</u></u>	<u><u>\$ 33,801,355</u></u>	<u><u>\$ - 0 -</u></u>

Debt Service Fund cash and investments balances as of December 31, 2023: \$ 13,239,387

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,582,362

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2023</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 500,000	\$ 23,207	\$ 1,040,000	Wells Fargo Bank, N.A. Houston, TX
	1,570,000	212,550	4,725,000	BOKF, N.A. Dallas, TX
	5,000	404,123	17,680,000	BOKF, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 2,075,000</u>	<u>\$ 639,880</u>	<u>\$ 23,445,000</u>	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Service Charge	\$ 1,816,091	\$ 1,811,883	\$ 1,761,214
Water Service	601,392	727,502	554,382
Wastewater Service	1,104,725	1,187,626	1,000,601
Fire Fighting and Ambulance Service	1,434,880	1,143,330	913,690
Law Enforcement Service	356,536	309,412	301,610
Sales and Use Tax Revenue	185,255	187,842	143,843
Penalty and Interest	69,811	70,976	43,187
Tap Connection and Inspection Fees	266,036	32,555	389,119
Investment Revenues	253,271	91,291	2,036
Miscellaneous Revenues	91,693	103,594	98,277
TOTAL REVENUES	\$ 6,179,690	\$ 5,666,011	\$ 5,207,959
EXPENDITURES			
Professional Fees	\$ 223,543	\$ 235,701	\$ 164,783
Contracted Services	2,203,431	1,842,394	1,664,407
Purchase Water Service	464,548	450,115	498,902
Purchase Wastewater Service	1,153,351	954,493	638,305
Utilities	75,523	79,739	75,543
Repairs and Maintenance	980,154	715,169	567,475
Other	283,557	277,726	332,880
Capital Outlay	303,104	143,784	10,144
TOTAL EXPENDITURES	\$ 5,687,211	\$ 4,699,121	\$ 3,952,439
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 492,479	\$ 966,890	\$ 1,255,520
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 530,835	\$ 1,568,742	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 1,023,314	\$ 2,535,632	\$ 1,255,520
BEGINNING FUND BALANCE	6,204,484	3,668,852	2,413,332
ENDING FUND BALANCE	\$ 7,227,798	\$ 6,204,484	\$ 3,668,852

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 1,729,011	\$ 1,537,578	29.4 %	32.0 %	33.9 %	35.5 %	34.4 %
603,572	514,977	9.7	12.8	10.6	12.4	11.6
1,067,582	927,208	17.9	21.0	19.2	22.0	20.8
892,385	846,471	23.2	20.2	17.5	18.4	19.0
296,209	274,480	5.8	5.5	5.8	6.1	6.2
133,081	120,680	3.0	3.3	2.8	2.7	2.7
46,350	61,108	1.1	1.2	0.8	1.0	1.4
		4.3	0.6	7.5		
11,294	31,493	4.1	1.6		0.2	0.7
81,999	143,995	1.5	1.8	1.9	1.7	3.2
<u>\$ 4,861,483</u>	<u>\$ 4,457,990</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 137,676	\$ 155,589	3.6 %	4.2 %	3.2 %	2.8 %	3.5 %
1,558,373	1,549,936	35.7	32.5	32.0	32.1	34.8
999,612	523,230	7.5	7.9	9.6	20.6	11.7
593,607	626,104	18.7	16.8	12.3	12.2	14.0
70,644	78,090	1.2	1.4	1.5	1.5	1.8
603,021	1,262,747	15.9	12.6	10.9	12.4	28.3
195,810	233,683	4.6	4.9	6.4	4.0	5.2
1,568,742		4.9	2.5	0.2	32.3	
<u>\$ 5,727,485</u>	<u>\$ 4,429,379</u>	<u>92.1 %</u>	<u>82.8 %</u>	<u>76.1 %</u>	<u>117.9 %</u>	<u>99.3 %</u>
<u>\$ (866,002)</u>	<u>\$ 28,611</u>	<u>7.9 %</u>	<u>17.2 %</u>	<u>23.9 %</u>	<u>(17.9) %</u>	<u>0.7 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (866,002)	\$ 28,611					
<u>3,279,334</u>	<u>3,250,723</u>					
<u>\$ 2,413,332</u>	<u>\$ 3,279,334</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 4,894,105	\$ 4,311,154	\$ 4,078,236
Penalty and Interest	36,521	36,779	32,377
Interest on Investments	596,074	149,485	2,351
Miscellaneous Revenues	38	7,197	2,048
TOTAL REVENUES	\$ 5,526,738	\$ 4,504,615	\$ 4,115,012
EXPENDITURES			
Tax Collection Expenditures	\$ 116,728	\$ 128,720	\$ 115,030
Debt Service Principal	2,075,000	2,080,000	1,970,000
Debt Service Interest and Fees	657,084	481,178	353,380
Bond Issuance Costs			
TOTAL EXPENDITURES	\$ 2,848,812	\$ 2,689,898	\$ 2,438,410
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,677,926	\$ 1,814,717	\$ 1,676,602
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$	\$
Transferred to Refunding Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 2,677,926	\$ 1,814,717	\$ 1,676,602
BEGINNING FUND BALANCE	9,463,628	7,648,911	5,972,309
ENDING FUND BALANCE	\$ 12,141,554	\$ 9,463,628	\$ 7,648,911
TOTAL ACTIVE RETAIL WATER CONNECTIONS	4,351	4,356	4,350
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	4,310	4,318	4,312

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 3,845,499	\$ 3,553,771	88.5 %	95.7 %	99.1 %	98.3 %	96.4 %
33,578	38,566	0.7	0.8	0.8	0.9	1.0
29,918	97,255	10.8	3.3	0.1	0.8	2.6
	266		0.2			
<u>\$ 3,908,995</u>	<u>\$ 3,689,858</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 110,795	\$ 110,698	2.1 %	2.9 %	2.8 %	2.8 %	3.0 %
1,975,000	1,855,000	37.5	46.2	47.9	50.5	50.3
315,240	464,024	11.9	10.7	8.6	8.1	12.6
	264,663					7.2
<u>\$ 2,401,035</u>	<u>\$ 2,694,385</u>	<u>51.5 %</u>	<u>59.8 %</u>	<u>59.3 %</u>	<u>61.4 %</u>	<u>73.1 %</u>
\$ 1,507,960	\$ 995,473	<u>48.5 %</u>	<u>40.2 %</u>	<u>40.7 %</u>	<u>38.6 %</u>	<u>26.9 %</u>
\$	\$ 7,325,000					
	(7,708,251)					
	653,233					
<u>\$ - 0 -</u>	<u>\$ 269,982</u>					
\$ 1,507,960	\$ 1,265,455					
4,464,349	3,198,894					
<u>\$ 5,972,309</u>	<u>\$ 4,464,349</u>					
<u>4,345</u>	<u>4,342</u>					
<u>4,308</u>	<u>4,306</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2023

District Mailing Address - Harris County Municipal Utility District No. 55
c/o Norton Rose Fulbright US LLP
1301 McKinney Ave., Suite 5100
Houston, TX 77010-3095

District Telephone Number - (713) 651-3613

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2023	Expense Reimbursements for the year ended December 31, 2023	Title
Robert Squires	05/22 05/26 (Elected)	\$ 7,200	\$ 2,500	President
Robert Tietz	05/22 05/26 (Elected)	\$ 5,565	\$ 2,718	Vice President
David VanRiper	06/21 05/24 (Appointed)	\$ 1,413	\$ -0-	Secretary
Richard Klenk	05/20 05/24 (Elected)	\$ 7,200	\$ 3,052	Treasurer/ Investment Officer
Scott Wenger	11/22 05/26 (Appointed)	\$ 6,015	\$ 1,642	Assistant Secretary

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

Submission date of most recent District Registration Form: April 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 18, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2023

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2023</u>	<u>Title</u>
Norton Rose Fulbright US LLP	08/01/74	\$ 101,177	General Counsel
McCall Gibson Swedlund Barfoot PLLC	12/15/87	\$ 19,250	Auditor
ETI Bookkeeping Services	09/05/74	\$ 25,698	Bookkeeper
The Thornhill Law Firm	03/28/90	\$ 9,393	Delinquent Tax Attorney
BGE, Inc.	1974	\$ 364,306	Engineer
Windsor Emergency Medical Service, Inc.	10/01/19	\$ 632,214	Emergency Medical Service
Public Finance Group	04/15/14	\$ -0-	Financial Advisor
Forest Bend Volunteer Fire Department	10/22/85	\$ 696,574	Fire Fighting Service
Harris County Sheriff	2006	\$ 345,725	Law Enforcement Service
Si Environmental	07/09/12	\$ 1,485,543	Operator
Equi-Tax Inc	09/05/74	\$ 79,400	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B
Form of Bond Counsel Opinion

August 27, 2024

Norton Rose Fulbright US LLP
1550 Lamar St, Suite 2000
Houston, Texas 77010-3095
United States

Tel +1 713 651 5151
Fax +1 713 651 5246
nortonrosefulbright.com

We have acted as bond counsel in connection with the issuance by Harris County Municipal Utility District No. 55 (the “*Issuer*”) of its Unlimited Tax Bonds, Series 2024 (the “*Bonds*”) in the aggregate principal amount of \$21,900,000.

In rendering the opinions herein we have examined and relied upon an executed Bond; original or certified copies of the proceedings had in connection with issuance of the Bonds, including the Order of the governing body of the Issuer which authorizes issuance of the Bonds (the “*Order*”); certificates of officers of the Issuer related to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Issuer, which are within its sole knowledge and control; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

Based upon such examination, we are of the opinion, that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds are valid and legally binding obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Bonds are payable from and equally and ratably secured solely by a lien on and pledge of ad valorem taxes levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.

3. Pursuant to the Internal Revenue Code of 1986, as amended and in force on the date hereof (the “*Code*”), and existing regulations, published rulings, and court decisions thereunder, assuming continuing compliance with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Bonds is excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code, and such interest will not be included for federal income tax purposes in computing the alternative minimum taxable income of the owners thereof who are individuals.

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on,

or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or any court; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX C
Specimen Municipal Bond Insurance Policy



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

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)

