OFFICIAL STATEMENT DATED FEBRUARY 19, 2020

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

THE BONDS HAVE NOT BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P "AA"
Underlying Rating: Moody's "A2"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$6,165,000
WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 21

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

UNLIMITED TAX ROAD BONDS
SERIES 2020

Dated: March 1, 2020 **Due: March 1, as shown below**

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from March 1, 2020 and will be payable on March 1 and September 1 of each year, commencing March 1, 2021 (twelve months interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (c)
2021	$ 220,000	2.000%	1.00%	95308H CH2	2031	$ 320,000 (b)	2.000%	1.850%	95308H CT6
2022	230,000	2.000	1.050	95308H CJ8	2032	330,000 (b)	2.000	2.000	95308H CU3
2023	240,000	2.000	1.100	95308H CK5	2033	340,000 (b)	2.000	2.050	95308H CV1
2024	250,000	2.000	1.150	95308H CL3	2034	350,000 (b)	2.000	2.100	95308H CW9
2025	260,000	2.000	1.200	95308H CM1	2035	360,000 (b)	2.000	2.150	95308H CX7
2026	270,000 (b)	2.000	1.250	95308H CN9	2036	360,000 (b)	2.000	2.200	95308H CY5
2027	280,000 (b)	2.000	1.350	95308H CP4	2037	360,000 (b)	2.000	2.250	95308H CZ2
2028	290,000 (b)	2.000	1.450	95308H CQ2	2038	360,000 (b)	2.125	2.300	95308H DA6
2029	300,000 (b)	2.000	1.550	95308H CR0	2039	360,000 (b)	2.125	2.322	95308H DB4
2030	310,000 (b)	2.000	1.700	95308H CS8	2040	375,000 (b)	2.250	2.350	95308H DC2

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from March 1, 2020 is to be added to the price.

(b) The Bonds maturing on or after March 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on March 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

(c) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of West Harris County Municipal Utility District No. 21 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special INVESTMENT CONSIDERATIONS described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about March 25, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas, 77024 upon payment of the costs of duplication.

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE FINANCING

The Issuer .... West Harris County Municipal Utility District No. 21 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Issue .... $6,165,000 West Harris County Municipal Utility District No. 21, Unlimited Tax Road Bonds, Series 2020, dated March 1, 2020. Interest on the Bonds will accrue from March 1, 2020 and will be payable March 1 and September 1 of each year, commencing March 1, 2021 (twelve months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on or after March 1, 2026 are subject to optional redemption, in whole or, from time to time, in part, on March 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If fewer than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only .... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Source of Payment .... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source and Security for Payment."

Use of Proceeds .... Proceeds of the Bonds will be used to reimburse the developer of Fallbrook Pines Business Park for a portion of the costs of financing certain road projects and to pay for the construction costs shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used to pay engineering fees and administrative costs, and certain other costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record .... The District has previously issued four series of unlimited tax bonds, of which $7,500,000 principal amount of such bonds is currently outstanding (the "Outstanding Bonds"). See "INVESTMENT CONSIDERATIONS—Future Debt." The District has timely paid its debt service on the Outstanding Bonds.

Not Qualified Tax-Exempt Obligations .... The District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."

Legal Opinion .... Young & Brooks, Bond Counsel, Houston, Texas.

Engineer .... Edminster, Hinshaw, Russ & Associates, Inc., Houston, Texas.

Disclosure Counsel .... Allen Boone Humphries Robinson LLP, Houston, Texas.

Financial Advisor .... Masterson Advisors LLC, Houston, Texas.

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

Municipal Bond Insurance and Municipal Bond Rating ... It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). The Bonds are rated "A2" by Moody's Investors Service, Inc. (Moody's) without regard to credit enhancement. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and "APPENDIX B."

THE DISTRICT

Description .... West Harris County Municipal Utility District No. 21 (the "District") is a political subdivision of the State of Texas located in Harris County approximately 17 miles northwest of the central business district of the City of Houston. Access to the District from the City is provided by Interstate Highway 10 to the Sam Houston Toll Road. The District is generally bounded on the north by the Sam Houston Toll Road, on the east by Fairbanks North Houston Road, on the south by Fallbrook Road, and on the west by Windfern Road. The District is within the exclusive extraterritorial jurisdiction of the City of Houston, Texas. See "AERIAL PHOTOGRAPH" herein. See "THE DISTRICT."

Recent Extreme Weather Events; Hurricane Harvey .... 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 four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. To the best of the knowledge of Environmental Development Partners (the "Operator") and Edminster, Hinshaw, Russ & Associates, Inc. (the "Engineer"), there was no interruption of water and sewer service by the District as a result of Hurricane Harvey. Further, to the best of the knowledge of the District, no commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey. See "THE SYSTEM."

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. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

Status of Development…… The District encompasses approximately 825 acres of land, all of which has been or is being developed for commercial, industrial and warehouse purposes. Water, sanitary sewer and drainage facilities have been constructed to serve approximately 680 acres of land in the District, on which approximately 479 acres have vertical improvements, approximately 91 acres have vertical improvements under construction, and approximately 110 acres are not built upon. In addition, the District has approximately 145 acres of undevelopable land consisting of plant sites, open spaces, easements and rights-of-way. The District has petitioned the City to approve annexation of an additional approximately 60 acres of land into the District. The District cannot predict when and if such annexation will be approved by the City.

The District has approximately 52 commercial connections. Commercial development within the District includes SEC EP Realty Ltd. office, manufacturing facility and warehouse on approximately 56 acres; Fallbrook Pines Business Park consisting of six warehouse/office/distribution facilities totaling approximately 1,360,000 square feet on approximately 97 acres; Liberty Properties office/warehouse/distribution facility on approximately 65 acres including a Home Depot distribution center and Foxconn Assembly LLC distribution center; Prologis LP industrial logistics warehouse with two tenants including Cisco Systems and Cloud Network Technology on approximately 13 acres; an approximately 167 acre Race Park, which has a one-mile dirt track, a one and one-eighth mile turf course, a grandstand with clubhouse, horse barns and an administration building; Best Western Inn; Fairfield Inn and Suites by Marriott hotel; Comfort Suites; one Steamboat House restaurant; Jack-in-the Box fast food restaurant; Popeye's fast food restaurant; multiple gas stations; and other retail and service establishments. See "THE DISTRICT."

Principal Property Owners………. Various entities affiliated with Trammell Crow Company and Clarion Partners purchased approximately 97 acres of land in the District starting in August 2013. Beginning in 2015, the site was developed as Fallbrook Business Park which currently consists of six office/ warehouse/distribution buildings totaling approximately 1,367,000 square feet on approximately 77 acres. The first phase of development includes four buildings totaling 708,000 square feet, all of which is 100% leased to various entities including Aramark, Freudenberg, Serta/Simmons Bedding, Foxconn Assembly LLC, Azelis Americas, Amazon and Ribelin. The second phase of development includes two additional buildings, the first of which is approximately 291,000 square feet and is 73% leased to Diligent Delivery and World Emblem. The second building is approximately 368,000 square feet and is vacant. There are three entities which appear on the District's principal taxpayers list and are related to this development, including the principal taxpayer within the District, Fallbrook Industrial Associates LLC, representing approximately 14.41% ($87,909,537) of the certified portion of the District's 2019 Taxable Assessed Valuation, the sixth largest taxpayer in the District, Fallbrook Pines, Phase II, LLC, representing 3.46% ($21,085,477), and the tenth largest taxpayer in the District, Fallbrook Pines, Phase I, LLC, representing 2.30% ($14,020,193). All three entities have similar ownership and own the land and improvements but not the personal property on this acreage.

The second largest taxpayer is Liberty Property Ltd. Partnership, which owns two office/warehouse/distribution buildings totaling approximately 927,000 square feet on approximately 65 acres in the District and represents approximately 13.11% ($79,939,847) of the certified portion of the District's 2019 Taxable Assessed Value. Home Depot leases a 527,000 square foot warehouse/distribution facility on approximately 35 of such acres, and Foxconn Assembly LLC leases a 400,000 square foot manufacturing/warehouse facility on approximately 30 of such acres.

The third largest taxpayer is Energy Transfer Company, the personal property of which represents approximately 12.34% ($75,301,550) of the certified portion of the District's 2019 Taxable Assessed Value. The personal property is stored on the land and in the manufacturing warehouse/distribution facility owned by the fourth largest taxpayer in the District, SEC EP Realty, Ltd., representing approximately 5.17% ($31,551,120).

In 2018, an entity affiliated with Hines Interest Ltd. Partnership ("Hines") purchased approximately 106 of land in the District. On approximately 91 of the 106 acres, Hines is currently constructing an approximately 700,000 square foot warehouse/distribution facility scheduled to be complete in spring 2020 and leased by Home Depot, and five additional buildings each between 90,000 to 135,000 square feet, all of which are expected to be complete by spring 2021. The remaining approximately 15 acres is being marketed for future retail development.

See "PRINCIPAL PROPERTY OWNERS," "TAX DATA—Principal Taxpayers" and "INVESTMENT CONSIDERATIONS— Dependence on Principal Taxpayers."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment risks, and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION

2019 Taxable Assessed Valuation	$622,440,753	(a)
Estimated Assessed Valuation as of November 15, 2019	$644,134,559	(b)
Gross Direct Debt Outstanding	$13,665,000	(c)
Estimated Overlapping Debt	33,777,955	(d)
Total Gross Direct Debt and Estimated Overlapping Debt	$47,442,955	
Ratios of Gross Direct Debt to:		
2019 Taxable Assessed Valuation	2.20%	
Estimated Assessed Valuation as of November 15, 2019	2.12%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2019 Taxable Assessed Valuation	7.62%	
Estimated Assessed Valuation as of November 15, 2019	7.37%	
2019 Debt Service Tax Rate	$0.25	
2019 Maintenance Tax Rate	0.25	
Total	$0.50	
Average percentage of total tax collections (2014-2018)	99.87%	
Average Annual Debt Service Requirement (2020-2040)	$765,227	(e)
Maximum Annual Debt Service Requirement (2021)	$1,351,256	(e)
Tax Rate Required to Pay Average Annual Debt Service (2020-2040) at a 95% Collection Rate		
Based upon 2019 Taxable Assessed Valuation	$0.13	
Estimated Assessed Valuation as of November 15, 2019	$0.13	
Tax Rate Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate		
Based upon 2019 Taxable Assessed Valuation	$0.23	
Estimated Assessed Valuation as of November 15, 2019	$0.23	

(a) Includes $609,984,190 of value as certified by the Harris County Appraisal District (the "Appraisal District") and $12,456,563 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2019 which totals $622,440,753. See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on November 15, 2019. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."

(c) Includes the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Debt."

(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

(e) See "DEBT SERVICE REQUIREMENTS."

OFFICIAL STATEMENT

$6,165,000
WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 21
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX ROAD BONDS
SERIES 2020

This Official Statement provides certain information in connection with the issuance by West Harris County Municipal Utility District No. 21 (the "District") of its $6,165,000 Unlimited Tax Road Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, Chapter 7976 of the Texas Special District Local Laws Code, the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions of, among others, the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Young & Brooks, Bond Counsel, 10000 Memorial Drive, Suite 260, Houston, Texas, 77024, upon the payment of the costs of duplication.

THE BONDS

<u>General</u>

The Bonds are dated March 1, 2020 and mature on March 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from March 1, 2020, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on September 1 and March 1 of each year, commencing March 1, 2021 (twelve months of interest) until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "the Paying Agent/Registrar," "Paying Agent," or "Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY System" herein.

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

<u>Method of Payment of Principal and Interest</u>

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owners as shown on the Bond Register (the "Register") kept by the Paying Agent/Registrar ("Registered Owners") on the fifteenth (15th) day (whether or not a business day) of the month prior to each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Register or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order.

Source and Security for Payment

The Bonds (together with the Outstanding Bonds (hereinafter defined), and such additional tax bonds as may hereafter be issued by the District) are payable from and secured by a pledge of the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District (see "TAX PROCEDURES"). The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds.

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

Funds

The Bond Order establishes the District's Debt Service Fund, including the sub-account for funds received to pay debt service on bonds issued to finance water, sewer and drainage facilities, or to refund bonds issued for such purposes (the "System Debt Service Fund") and the sub-account for funds received to pay debt service on bonds issued to finance road facilities, or to refund bonds issued for such purposes (the "Road Debt Service Fund"). Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Road Debt Service Fund. All remaining proceeds of the Bonds will be deposited in the District's Road Capital Projects Fund and will be used as described in the Bond Order.

The proceeds from all taxes levied, assessed and collected for and on account of the Bonds shall be deposited, as collected, into the Road Debt Service Fund. The Road Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional bonds issued by the District to finance and construct road facilities, or to refund bonds issued for such purposes (the Bonds and such additional bonds being collectively hereinafter defined as "Road Bonds"), is to be kept separate from all other funds of the District, and funds in the Road Debt Service Fund are to be used for payment of debt service on Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in the System Debt Service Fund, will not be allocated to the payment of the Bonds.

Authority for Issuance

At an election held within the District on May 5, 2018, voters of the District authorized $27,620,000 principal amount of unlimited tax bonds for the purpose of constructing road facilities within the District or to refund outstanding bonds issued for such purpose. The Bonds are the first issuance of such authorization. See "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, at elections held within the District, voters of the District had previously authorized a total of $92,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities or refunding purposes. Such bonds are to be approved by the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission.") After sale of the Bonds, a total of $21,455,000 in principal amount of unlimited tax bonds for road facilities and $71,260,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities or refunding purposes will remain authorized but unissued.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article III, Section 52 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended. See "THE BONDS—Issuance of Additional Debt."

Registration, Transfer and Exchange

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owners' income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully- registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS—Book Entry-Only System." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, 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 trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2026, in whole or from time to time in part, on March 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the Bonds and amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in principal amount, and if fewer than all of the Bonds of a given maturity are selected to be redeemed, the specific Bonds within a maturity shall be selected by lot or other customary method (or by the DTC in accordance with its procedures while the Bonds are in book-entry-only form). See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. At an election held within the District on May 5, 2018, voters of the District authorized a total of $27,620,000 in principal amount of unlimited tax bonds for financing and constructing road facilities, or to refund bonds issued for such purposes (collectively, "Road Bonds"). After the issuance of the Bonds, $21,455,000 in principal amount of said Road Bonds will remain authorized but unissued. The District's voters have also authorized the issuance of a total of $92,550,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, or to refund bonds issued for such purposes (collectively, "System Bonds"). Currently, $71,260,000 principal amount of said System Bonds remain authorized but unissued. See "THE DISTRICT–General." The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

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

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

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 of the Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities, subject to the acquiring of powers to do so and a successful District election to approve the issuance of road bonds payable from taxes. Chapter 7976 of the Texas Special Districts Local Laws Code grants road powers to the District and at an election held within the District on May 5, 2018, voters of the District authorized a total of $27,620,000 in principal amount of Road Bonds. After the issuance of the Bonds, $21,455,000 in principal amount of said Road Bonds will remain authorized but unissued. See "Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS— Future Debt." Issuance of additional bonds for road facilities may dilute the security for the Bonds.

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 District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See "Strategic Partnership" below for a description of the Strategic Partnership Agreement between the City and the District.

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

Strategic Partnership

Effective November 22, 2013, the District and the City of Houston entered into a Strategic Partnership Agreement (the "Original SPA") as authorized by Texas Local Government Code Section 43.0751, for a term of thirty (30) years. Effective December 10, 2015, the District and the City of Houston entered into a First Amended and Restated Strategic Partnership Agreement (the "Restated SPA"), for the same thirty (30) year term as the Original SPA. During the term of the Restated SPA (i) the commercial portion of the District is annexed by the City for limited purposes of extending the City sales tax, (ii) the City has agreed to not annex the District for full purposes without the District's consent, (iii) 50% of the City sales tax revenues generated within the area made subject to the SPA (the "SPA Sales Tax Revenues") will be distributed to the District, and (iv) the area made subject to the SPA will continue to receive water and wastewater treatment service from the District and will remain subject to District taxing authority. Pursuant to State law, the District is authorized to use the SPA Sales Tax Revenues for any lawful purpose. None of the anticipated SPA Sales Tax Revenues are pledged toward the payment of principal and interest on the Bonds

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, and its liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. No representation is made concerning the likelihood of consolidation.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

General

The Depository Trust Company ("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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a of "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 DISTRICT

General

West Harris County Municipal Utility District No. 21 (the "District") is a municipal utility district created by the Texas Water Commission, predecessor to the TCEQ on August 9, 1990, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statues of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Houston.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to construct roads and improvements in aid thereof and to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, recreational facilities, road facilities, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Description and Location

The District is located in Harris County approximately 17 miles northwest of the central business district of the City of Houston, Texas. Access to the District from the City is provided by Interstate Highway 10 to the Sam Houston Toll Road. The District is generally bounded on the north by the Sam Houston Toll Road, on the east by Fairbanks North Houston Road, on the south by Fallbrook Road, and on the west by Windfern Road. All land within the District lies within the exclusive extraterritorial jurisdiction of the City of Houston, Texas.

Status of Development

The District encompasses approximately 825 acres of land, all of which has been or is being developed for commercial, industrial and warehouse purposes. Water, sanitary sewer and drainage facilities have been constructed to serve approximately 680 acres of land in the District, on which approximately 479 acres have vertical improvements, approximately 91 acres have vertical improvements under construction, and approximately 110 acres are not built upon. In addition, the District has approximately 145 acres of undevelopable land consisting of plant sites, open spaces, easements and rights-of-way. The District has petitioned the City to approve annexation of an additional approximately 60 acres of land into the District. The District cannot predict when and if such annexation will be approved by the City.

The District has approximately 52 commercial connections. Commercial development within the District includes SEC EP Realty Ltd. office, manufacturing facility and warehouse on approximately 56 acres; Fallbrook Pines Business Park consisting of six warehouse/office/distribution facilities totaling approximately 1,360,000 square feet on approximately 97 acres; Liberty Properties office/warehouse/distribution facility on approximately 65 acres including a Home Depot distribution center and Foxconn Assembly LLC distribution center; Prologis LP industrial logistics warehouse with two tenants including Cisco Systems and Cloud Network Technology on approximately 13 acres; an approximately 167 acre Race Park, which has a one-mile dirt track, a one and one-eighth mile turf course, a grandstand with clubhouse, horse barns and an administration building; Best Western Inn; Fairfield Inn and Suites by Marriott hotel; Comfort Suites; one Steamboat House restaurant; Jack-in-the Box fast food restaurant; Popeye's fast food restaurant; multiple gas stations; and other retail and service establishments.

PRINCIPAL PROPERTY OWNERS

The following is a brief description of the largest property owners in the District. See "INVESTMENT CONSIDERATIONS —Dependence on Principal Taxpayers" and "TAX DATA—Principal Taxpayers."

Various entities affiliated with Trammell Crow Company and Clarion Partners purchased approximately 97 acres of land in the District starting in August 2013. Beginning in 2015, the site was developed as Fallbrook Business Park which currently consists of six office/ warehouse/distribution buildings totaling approximately 1,367,000 square feet on approximately 77 acres. The first phase of development includes four buildings totaling 708,000 square feet, all of which is 100% leased to various entities including Aramark, Freudenberg, Serta/Simmons Bedding, Foxconn Assembly LLC, Azelis Americas, Amazon and Ribelin. The second phase of development includes two additional buildings, the first of which is approximately 291,000 square feet and is 73% leased to Diligent Delivery and World Emblem. The second building is approximately 368,000 square feet and is vacant. There are three entities which appear on the District's principal taxpayers list and are related to this development, including the principal taxpayer within the District, Fallbrook Industrial Associates LLC, representing approximately 14.41% ($87,909,537) of the certified portion of the District's 2019 Taxable Assessed Valuation, the sixth largest taxpayer in the District, Fallbrook Pines, Phase II, LLC, representing 3.46% ($21,085,477), and the tenth largest taxpayer in the District, Fallbrook Pines, Phase I, LLC, representing 2.30% ($14,020,193). All three entities have similar ownership and own the land and improvements but not the personal property on this acreage.

The second largest taxpayer is Liberty Property Ltd. Partnership, which owns two office/warehouse/distribution buildings totaling approximately 927,000 square feet on approximately 65 acres in the District and represents approximately 13.11% ($79,939,847) of the certified portion of the District's 2019 Taxable Assessed Value. Home Depot leases a 527,000 square foot warehouse/distribution facility on approximately 35 of such acres, and Foxconn Assembly LLC leases a 400,000 square foot manufacturing/warehouse facility on approximately 30 of such acres.

The third largest taxpayer is Energy Transfer Company, the personal property of which represents approximately 12.34% ($75,301,550) of the certified portion of the District's 2019 Taxable Assessed Value. The personal property is stored on the land and in the manufacturing warehouse/distribution facility owned by the fourth largest taxpayer in the District, SEC EP Realty, Ltd., representing approximately 5.17% ($31,551,120).

In 2018, an entity affiliated with Hines Interest Ltd. Partnership ("Hines") purchased approximately 106 of land in the District. On approximately 91 of the 106 acres, Hines is currently constructing an approximately 700,000 square foot warehouse/distribution facility scheduled to be complete in spring 2020 and leased by Home Depot, and five additional buildings each between 90,000 to 135,000 square feet, all of which are expected to be complete by spring 2021. The remaining approximately 15 acres is being marketed for future retail development.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. Each of the Board members own land within the District subject to a note and deed of trust in favor of a former developer of land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Kurt Adkins	President	May 2022
Julianna S. Lind	Vice President	May 2020
Kathy Covey	Secretary	May 2020
Helaine Lubetkin	Assistant Secretary	May 2022
Mary Lou Verdine	Director	May 2020

The District does not have a general manager or any full-time employees, but contracts for certain necessary services as described below.

Tax Appraisal

The Harris County Appraisal District has the responsibility for appraising taxable property within the District. See "TAX PROCEDURES."

Tax Assessor/Collector

The District has appointed an independent tax assessor/collector to perform the collection function. Wheeler & Associates, Inc. has been employed by the District to serve in this capacity.

Utility System Operator

Environmental Development Partners has been engaged by the District to operate the District's water distribution and wastewater collection facilities.

Bookkeeper

The District contracts with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services for the District.

Engineer

The District's consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the "Engineer").

Auditor

The District's audited financial statements for the year ended December 31, 2018, were prepared by McGrath & Co., PLLC, Certified Public Accountant. See "APPENDIX A" for a copy of the District's December 31, 2018, audited financial statement. The District has engaged McGrath & Co., PLLC to audit its financial statements for the year ended December 31, 2019.

Bond Counsel/Attorney

The District has engaged Young & Brooks as general counsel to the District and as Bond Counsel in connection with the issuance of District bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

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

Source of Water Supply

Water supply is provided by the District's water supply and storage facility. This facility consists of an 1,800 gpm water well, two 20,000-gallon hydropneumatic pressure tanks, two 420,000-gallon ground storage tank and booster pump capacity totaling 6,500 gallons per minute along with emergency power facilities. The facility is capable of serving approximately 3,000 equivalent single-family connections ("ESFCs"). As of October 31, 2019, the District served approximately 851 ESFCs. According to the District's Engineer, the District's existing water supply facilities provide adequate capacity to serve the existing and planned development in the District. The District also has an emergency interconnect agreement with Reid Road Municipal Utility District No. 2.

On February 1, 2006, the District entered into a water supply agreement with Northwest Park Municipal Utility District ("NW Park MUD") whereby the District agreed to sell excess capacity in its water supply system in the amount of 1,200 ESFCs (not to exceed 480,000 gallons per day) to NW Park MUD. Ownership of the water plant remains with the District.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 1999, the Texas legislature created the North Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County (including the District).

The Authority has developed a Groundwater Reduction Plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The District is included within the Authority's GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of $3.85 per 1,000 gallons of groundwater pumped and $4.30 for surface water received. These fees are subject to increase in the future. The Authority has issued revenue bonds to fund, among other things, certain Authority surface water project costs, including the construction of a network of transmission and distribution lines, storage tanks and pumping stations to transport and distribute water within the Authority (the "Authority System"). It is expected that the Authority will issue substantially more bonds by the year 2035 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand within the Authority's GRP beginning in 2010; (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand within the Authority's GRP beginning in 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total annual water demand within the Authority's GRP beginning in 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority's GRP. The current rate for Disincentive Fees imposed by the subsidence district is $9.00 per 1,000 gallons. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. Groundwater pumped from wells located within the Authority is not currently subject to the Disincentive Fee. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers resulting in higher water rates. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

Wastewater treatment is provided by the District's 250,000 gallon per day ("gpd") wastewater treatment plant which is adequate to serve approximately 833 ESFCs. Pursuant to an agreement between NW Park MUD and the District dated November 19, 2002, the District can discharge up to 90,000 gpd of wastewater into NW Park MUD's wastewater collection system which is equivalent to 300 ESFCs, which brings the total combined capacity to 1,133 ESFCs. According to the District's Engineer, the District's existing wastewater treatment facilities provide adequate capacity to serve the existing and planned development in the District. As of October 31, 2019, the District served approximately 851 ESFCs.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, the Federal Emergency Management Administration ("FEMA") Flood Insurance Rate Map ("FIRM") currently in effect indicates that none of the land in the District is located within the 100-year flood plain and that none of the District's facilities or any developed or partially developed property within the District is within the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

THE ROADS

Bond proceeds will be used to finance the construction and paving of roads and improvements in aid thereof of three major roadways that service the District. Derrington Road provides access from Fairbanks North Houston Road and Windfern Road. The roadway bisects Fallbrook Pines Industrial Park. Fallbrook Pines Drive and Ponderosa Brook Drive provide access to Fallbrook Pines Industrial Park from Fallbrook Drive. The traffic signal to be financed with Bond proceeds is located at the intersection of Fallbrook Drive and Fallbrook Pines Drive. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

All roads are designed and constructed in accordance with Harris County (the "County") and City of Houston standards, rules, and regulations. Upon acceptance by the County or the Texas Department of Transportation ("TxDOT"), as applicable, of roads or road facilities, the County or TxDOT, as applicable, is responsible for operation and maintenance thereof. These roads lie within public rights-of-way. In addition to the roadway, public utilities such as underground water, sewer and drainage facilities are located within the right-of-way. The right-of-way is also shared by street lights, sidewalks and franchise utilities (power, gas, telephone and cable.)

USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $5,243,528 is estimated for construction costs, and $921,472 is estimated for nonconstruction costs. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor and such amounts are subjected to an agreed-upon procedures engagement by the District's auditor prior to the sale of the Bonds. Any surplus funds from the Bonds may be expended for any lawful purpose for which surplus construction funds derived from Road Bonds may be used.

CONSTRUCTION COSTS		
Excavation, Paving & Grading to serve Fallbrook Pines, Section One…………	$	505,407
Excavation, Paving & Grading to serve Fallbrook Pines, Section Two…………		256,832
Clearing & Grubbing to serve Fallbrook Pines, Sections One and Two……….		564
Storm Sewer Extension along Derrington Road…………………………………		672,956
New Bridge Construction to serve Fallbrook Pines, Section Three…………….		834,774
Excavation & Paving to serve Fallbrook Pines, Section Three………………….		571,553
Traffic Signal at Fallbrook Drive and Fallbrook Pines Drive…………………….		241,754
Fallbrook Pines Drive and Fallbrook Drive Traffic Improvements……………….		24,560
Engineering and Geotechnical ……………………………………………………		441,653
Special Engineering Reports………………………………………………………		9,150
Hydraulic Impact Analysis for Bridge……………………………………………		26,690
Traffic Impact Analysis……………………………………………………………		49,000
Staking ROW Ponderosa Brook Drive……………………………………………		566
Phase I Geologic Fault Investigation…………………………………………….		1,650
Land Acquisition…………………………………………………………………		1,606,419
Total Construction Costs	**$**	**5,243,528**
NON-CONSTRUCTION COSTS		
Legal Fees…………………………………………………………………………	$	159,125
Financial Advisory Fees…………………………………………………………		101,650
Developer Interest…………………………………………………………………		389,913
Bond Discount……………………………………………………………………		105,633
Bond Issuance Expenses…………………………………………………………		49,669
Engineering Bond Issuance Fee…………………………………………………		30,000
Attorney General Fee……………………………………………………………		6,165
Contingency (a)……………………………………………………………………		79,317
Total Non-Construction Costs	**$**	**921,472**
TOTAL BOND ISSUE	**$**	**6,165,000**

(a) Contingency represents surplus funds resulting from the sale of the Bonds at a bond discount less than estimated and can be used for authorized purposes.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
11/02/93 & 05/05/18	Water, Sanitary Sewer, Drainage and Refunding	$92,550,000	$21,290,000	$71,260,000
05/05/18	Road and Refunding	$27,620,000	$6,165,000*	$21,455,000*

* After issuance of the Bonds.

FINANCIAL STATEMENT

2019 Taxable Assessed Valuation	$622,440,753	(a)
Estimated Assessed Valuation as of November 15, 2019	$644,134,559	(b)
The Outstanding Bonds	$ 7,500,000	
The Bonds	6,165,000	
Total Direct Debt	$ 13,665,000	

Ratios of Gross Direct Debt to:

2019 Taxable Assessed Valuation	2.20%
Estimated Assessed Valuation as of November 15, 2019	2.12%

Area of District—825 acres

(a) Includes $609,984,190 of value as certified by the Harris County Appraisal District (the "Appraisal District") and $12,456,563 of uncertified value, representing the owner's opinion of value on properties in the District not yet certified for 2019 which totals $622,440,753. See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on November 15, 2019. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."

Cash and Investment Balances as of January 15, 2020

System Capital Projects Fund	Cash and Investments	$1,419,717	
System Debt Service Fund	Cash and Investments	$1,030,181	(a)
Road Capital Projects Fund	Cash and Investments	$0	(b)
Road Debt Service Fund	Cash and Investments	$0	(a)(b)
Operating Fund	Cash and Investments	$9,439,994	

(a) Accrued interest on the Bonds will be deposited to the Road Debt Service Fund. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Funds. Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to Road Bonds, and a pro rata portion will be allocated to System Bonds. See "FINANCIAL STATEMENT—Outstanding Debt." The Road Debt Service Fund is not pledged to the System Bonds and the System Debt Service Fund is not pledged to the Road Bonds.

(b) To be initially funded at the closing of the Bonds.

Outstanding Debt

Series	Original Principal Amount	Outstanding Bonds (as of 12/1/19)
2013	$ 1,255,000	$ 500,000
2017	8,400,000	7,000,000
Total	$ 9,655,000	$ 7,500,000

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

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 information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds		As of	Overlapping Percent	Overlapping Amount
Harris County………………………………………	$ 1,885,182,125		10/31/2019	0.13%	$ 2,450,737
Harris County Flood Control District…………….	83,075,000		10/31/2019	0.13%	107,998
Harris County Hospital District……………………	57,300,000		10/31/2019	0.13%	74,490
Harris County Department of Education………..	6,320,000		10/31/2019	0.13%	8,216
Port of Houston Authority………………………	572,569,397		10/31/2019	0.13%	744,340
Lone Star College System……….................………	579,645,000		10/31/2019	0.29%	1,680,971
Cypress-Fairbanks Independent School District.	2,586,595,000		10/31/2019	1.11%	28,711,205
Total Estimated Overlapping Debt……………….					$ 33,777,955
The District………………………………………..	13,665,000	(a)	Current	100.00%	13,665,000
Total Direct and Estimated Overlapping Debt…..					$ 47,442,955

Ratio of Estimated Direct and Overlapping Debt to 2019 Taxable Assessed Valuation……………………………	7.62%
Ratio of Estimated Direct and Overlapping Debt to November 15, 2019 Estimated Assessed Valuation…………	7.37%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2019

	2019 Tax Rate per $100 of Taxable Assessed Valuation
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority……….	$ 0.616700
Lone Star College System……………………………………	0.107800
Cypress-Fairbanks Independent School District………….	1.370000
Harris County Emergenery Service District No. 11……….	0.034707
Harris County Emergenery Service District No. 13……….	0.100000
Total Overlapping Tax Rate…………………………………	$ 2.229207
The District ……………………………………………………	0.500000
Total Tax Rate………………………………………………….	$ 2.729207

TAX DATA

Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of December 31, 2019 Amount	Percent
2014	$ 269,560,079	$ 0.950	$ 2,560,820	$ 2,560,820	100.00%
2015	338,178,982	0.850	2,874,520	2,874,520	100.00%
2016	422,300,665	0.760	3,209,484	3,207,670	99.94%
2017	501,484,487	0.660	3,309,796	3,308,379	99.96%
2018	535,205,904	0.600	3,211,234	3,194,256	99.47%
2019	609,984,190	0.500	3,049,921	(a)	(a)

(a) In the process of collections. 2019 taxes become delinquent if not paid before February 1, 2020.

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	$ 0.250	$ 0.250	$ 0.300	$ 0.400	$ 0.420
Maintenance and Operations	0.250	0.350	0.360	0.360	0.430
Total	$ 0.500	$ 0.600	$ 0.660	$ 0.760	$ 0.850

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit to rate or amount).
Maintenance and Operations:	$1.00 per $100 assessed valuation.
Maintenance and Operations for Road Facilities:	$.0.25 per $100 assessed valuation.

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2019 in the amount of $0.25 per $100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electorate. At an election held on November 2, 1993, the Board was authorized to levy such a maintenance tax in an amount not to exceed $1.00 per $100 of assessed valuation. On May 5, 2018, the Board was authorized to levy a maintenance tax for operation and maintenance of roads in an amount not to exceed $0.25 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2019 tax year, the District levied a maintenance tax rate of $0.25 per $100 assessed valuation. The District has not levied a tax for road maintenance.

Additional Penalties

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

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. Currently, the District does not exempt any amount of the appraised value of resident homesteads who are disabled or over 65 years of age. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the certified portion of the 2019 Taxable Assessed Valuation of $609,984,190, which represents certified ownership as of January 1, 2019. Principal taxpayer lists related to the uncertified portion ($12,456,563) of the 2019 Taxable Assessed Valuation and the Estimated Assessed Valuation as of November 15, 2019 are not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Taxpayer (a)	Type of Property		2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
Fallbrook Industrial Associates LLC (c)	Land & Improvements	$	87,909,537	14.41%
Liberty Property Ltd. Partnership	Land & Improvements		79,939,847	13.11%
Energy Transfer Company (d)	Personal Property (b)		75,301,550	12.34%
SEC EP Realty Ltd. (d)	Land & Improvements		31,551,120	5.17%
Prologis LP	Land & Improvements		25,350,729	4.16%
Fallbrook Pines Phase II LLC (c)	Land & Improvements		21,085,477	3.46%
Cloud Network Technology USA Inc.	Personal Property (b)		17,436,622	2.86%
Sam Houston Race Park Ltd.	Land, Improvements & Personal Property		16,400,000	2.69%
Cisco Systems Inc.	Personal Property (b)		14,532,244	2.38%
Fallbrook Pines Phase I LLC (c)	Land & Improvements		14,020,193	2.30%
Total		$	383,527,319	62.87%

(a) See "PRINCIPAL PROPERTY OWNERS" and "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers.
(b) See "INVESTMENT CONSIDERATIONS—-Dependence on Personal Property Tax Collections."
(c) Related Entity
(d) Related Entity

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAX PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2017 through 2019 Taxable Assessed Valuations. Breakdowns of the uncertified portion ($12,456,563) of the 2019 Taxable Assessed Valuation and the Estimated Assessed Valuation as of November 15, 2019 are not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	$ 106,968,742	$ 100,165,879	$ 100,028,226
Improvements	318,897,586	235,704,889	224,085,759
Personal Property (a)	530,901,681	556,105,354	408,263,311
Exemptions (a)	(346,783,819) (b)	(356,770,218)	(230,892,809)
Certified Total	$ 609,984,190	$ 535,205,904	$ 501,484,487
Uncertified Value	12,456,563	-	-
Total	$ 622,440,753	$ 535,205,904	$ 501,484,487

(a) See "INVESTMENT CONSIDERATIONS—Dependence on Personal Property Tax Collections."
(b) Includes $303,623,026 of freeport exemptions related to taxable personal property value. Freeport exemptions were also in place in 2018 and 2017. See "TAX PROCEDURES—Property Subject to Taxation by the District."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet the average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2019 Taxable Assessed Valuation of $622,440,753 ($609,984,190 certified plus $12,456,563 uncertified) and the Estimated Assessed Valuation as of November 15, 2019 of $644,134,559. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2020-2040) $765,227
$0.13 Tax Rate on 2019 Taxable Assessed Valuation at 95% collections...$768,714
$0.13 Tax Rate on Estimated Assessed Valuation as of November 15, 2019 at 95% collections $795,506

Maximum Annual Debt Service Requirement (2021) $1,351,256
$0.23 Tax Rate on 2019 Taxable Assessed Valuation at 95% collections..$1,360,033
$0.23 Tax Rate on Estimated Assessed Valuation as of November 15, 2019 at 95% collections $1,407,434

No representation or suggestion is made that the uncertified portion of the 2019 Taxable Assessed Valuation or the estimates of values of land and improvements provided by the Appraisal District as of November 15, 2019 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment.. See "TAX PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant 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 rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: Texas law 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, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

Tax Abatement

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

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) 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. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. 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. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.

Certain land may be appraised at less than market value under the Property Tax Code. 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 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 production of timber. In either case, if the use of land changes, an additional tax is 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.

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 once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180^{th}) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts: Low Tax Rate Districts that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District 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 tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback 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 against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2019." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

District and Taxpayer Remedies

The chief appraiser must give written notice before the Appraisal Review Board meeting to each 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 or 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. The District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special-use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Although not pledged to the payment of the Bonds, net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant revenues from water and sewer operations will be available for debt service on the Bonds in the foreseeable future.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and, in all instances, exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements for December 31, 2015 through 2018, and an unaudited summary for the fiscal year ended December 31, 2019, as provided by the District's bookkeeper. Reference is made to these statements for further and complete information.

	Fiscal Year Ended December 31				
	2019 (a)	2018	2017	2016	2015
Revenues					
Water Service	$ 214,075	$ 151,899	$ 160,531	$ 140,425	$ 131,295
Sewer Service	60,625	97,012	96,870	81,772	76,649
Property Taxes	1,711,704	1,801,136	1,523,531	1,473,474	1,413,696
Penalty and Interest	5,406	7,254	7,702	13,872	1,487
Tap Connection and Inspection Fees	337,205	163,178	19,954	229,769	240,329
Surface Water Revenue	218,340	200,189	162,038	111,544	92,182
City of Houston Sales Tax Rebate	474,775	559,449	430,328	401,765	420,255
Miscellaneous	100	3,265	2,458	3,482	3,236
Investment Revenues	211,534	157,772	61,026	21,150	4,181
Total Revenues	$ 3,233,764	$ 3,141,154	$ 2,464,438	$ 2,477,253	$ 2,383,310
Expenditures					
Purchased Services	$ 161,212	$ 119,284	$ 88,289	$ 130,846	$ 69,301
Professional Fees	468,873	393,729	318,987	350,124	280,642
Contracted Services	203,367	164,410	105,881	169,775	156,601
Repairs and Maintenance	187,684	187,398	144,535	109,535	88,921
Utilities	51,720	50,084	44,569	42,288	37,660
Surface Water Fees	237,940	156,377	155,082	167,478	33,951
Administrative	109,812	103,068	84,226	75,796	80,451
Capital Outlay	165,018	-	1,651	191,713	-
Other	-	1,651	147,986	2,151	4,053
Total Expenditures	$ 1,585,626	$ 1,176,001	$ 1,091,206	$ 1,239,706	$ 751,580
Revenues Over (Under) Expenditures	$ 1,648,138	$ 1,965,153	$ 1,373,232	$ 1,237,547	$ 1,631,730
Other Financing Sources:					
Insurance Proceeds	$ 14,708	$ -	$ -	$ -	$ -
Interfund Transfer	-	-	27,711	-	3,693
Total Other Financing Sources	14,708	-	27,711	-	3,693
Fund Balance (Beginning of Year)	$ 9,392,945	$ 7,427,792	$ 6,026,849	$ 4,789,302	$ 3,153,879
Fund Balance (End of Year)	$ 11,055,791	$ 9,392,945	$ 7,427,792	$ 6,026,849	$ 4,789,302

(a) Unaudited. Provided by the District's Bookkeeper.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds Principal	Interest	Total	Total Debt Service Requirements
2020	$ 962,250				$ 962,250
2021	945,750	$ 220,000	$ 185,506	$ 405,506	1,351,256
2022	928,750	230,000	118,438	348,438	1,277,188
2023	911,750	240,000	113,738	353,738	1,265,488
2024	745,250	250,000	108,838	358,838	1,104,088
2025	731,500	260,000	103,738	363,738	1,095,238
2026	568,750	270,000	98,438	368,438	937,188
2027	558,438	280,000	92,938	372,938	931,375
2028	547,188	290,000	87,238	377,238	924,425
2029	534,688	300,000	81,338	381,338	916,025
2030	521,563	310,000	75,238	385,238	906,800
2031	507,500	320,000	68,938	388,938	896,438
2032	-	330,000	62,438	392,438	392,438
2033	-	340,000	55,738	395,738	395,738
2034	-	350,000	48,838	398,838	398,838
2035	-	360,000	41,738	401,738	401,738
2036	-	360,000	34,538	394,538	394,538
2037	-	360,000	27,338	387,338	387,338
2038	-	360,000	19,913	379,913	379,913
2039	-	360,000	12,263	372,263	372,263
2040	-	375,000	4,219	379,219	379,219
Total	$ 8,463,375	$ 6,165,000	$ 1,441,400	$ 7,606,400	$ 16,069,775

Maximum Annual Debt Service Requirement (2021) $1,351,256
Average Annual Debt Service Requirements (2020-2040) $765,227

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the 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.

Recent Tropical Weather Events; Hurricane Harvey

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 four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. To the best of the knowledge of the Operator and Engineer, there was no interruption of water and sewer service by the District as a result of Hurricane Harvey. Further, to the best of the knowledge of the District, no commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of commercial and industrial properties. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Declines in the price of oil could adversely affect the demand for commercial improvements and result in a decrease in assessed values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. 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 construction within the District. In addition, since the District is located approximately 15 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City or the nation could adversely affect development and homebuilding plans in the District and restrain or reduce the growth of the District's property tax base.

Dependence on Principal Taxpayers

Based upon the 2019 certified tax rolls, the top ten taxpayers are responsible for approximately 62.87% ($383,527,319) of the District's 2019 taxes. The principal taxpayer within the District is Fallbrook Industrial Associates LLC, which represents approximately 14.41% ($87,909,537) of the certified portion of the District's 2019 Taxable Assessed Valuation. The second largest taxpayer is Liberty Property Ltd. Partnership, which represents approximately 13.11% ($79,939,847) of the certified portion of the District's 2019 Taxable Assessed Value. The third largest taxpayer is Energy Transfer Company, which represents approximately 12.34% ($75,301,550) of the certified portion of the District's 2019 Taxable Assessed Value. See "THE DISTRICT—Status of Development" and "TAX DATA—Principal Taxpayers." Certain of the District's principal taxpayers own warehouse and distribution facilities that may not be readily sold, re-leased or re-purposed should the businesses located in such facilities cease operations in the District. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Dependence on Personal Property Tax Collections

Approximately 37.26% ($227,278,655) of the District's certified portion 2019 Taxable Assessed Valuation ($609,984,190) is personal property. See "TAX DATA—Tax Roll Information." Most other utility districts in Texas are not dependent to such an extent on taxes levied on personal property, and personal property taxation and collection create special risks for Registered Owners. See "TAX DATA—Principal Taxpayers," "—Summary of Assessed Valuation," "TAX PROCEDURES."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Automobiles and other personal property are portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

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

Heretofore the District has been successful in collecting its ad valorem tax levies including ad valorem taxes levied on personal property located in the District. However, no representation can be made by the District regarding future tax collections. See "TAX DATA—Historical Tax Collections."

Future Debt

Following issuance of the Bonds, the District will have $21,455,000 principal amount of authorized but unissued Road Bonds. In addition, the District has $71,260,000 principal amount of authorized but unissued System Bonds, and such additional bonds as may be hereafter authorized by the District's voters. After issuance of the Bonds, the District will continue to owe approximately $6,500,000 to various developers of land in the District. "THE BONDS—Issuance of Additional Debt," "THE SYSTEM" and "THE ROADS." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

Environmental and Air Quality Regulations

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property; 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.

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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 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, 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, 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 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 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 "marginal" nonattainment area under the 2015 Ozone Standard. 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) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES 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 also 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 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding he ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019.

On December 11, 2018, the EPA and USACE released a proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdiction waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comments on the proposal for 60 days after publication in the Federal Register, which occurred on February 13, 2019, but the proposed rule has not been finalized.

Due to the pending rulemaking activity, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Tax Collection Limitations

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

Registered Owners Remedies and Bankruptcy Limitations

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

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

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript of certain certified proceedings had incident to the authorization and issuance of the Bonds including a certified copy of the unqualified approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The District also will furnish the approving legal opinion of Young & Brooks, Bond Counsel, to the effect that based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, against all taxable property within the District. See “TAX MATTERS” below for a discussion of Bond Counsel's opinion regarding the tax-exempt status of the Bonds. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability 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.

Legal Review

In their capacity as Bond Counsel, Young & Brooks has reviewed the information in this Official Statement under the captioned sections “THE BONDS,” “THE DISTRICT—General,” “MANAGEMENT—Bond Counsel/Attorney,” “TAX PROCEDURES,” “LEGAL MATTERS—Legal Opinions,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the subsection “Compliance With Prior Undertakings”), solely to determine whether such information, insofar as it relates to matters of law, fairly summarizes the laws and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the other information contained herein.

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

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 of the financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amend through the date of sale.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate executed by both the President and Secretary of the Board, and dates as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest on or the principal of 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 or the title of the present officers of the District.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the Project. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Not Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than specified private activity bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may only designate an issue as an issue of "qualified tax-exempt obligations" where less than $10 million of tax-exempt obligations are issued by the issuer during the calendar year in which the issue so designated is issued.

The District has not designated the Bonds as "qualified tax-exempt obligations" due to the fact that it will issue more than $10,000,000 of tax-exempt obligations during the calendar year 2020.

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 98.2866% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.200615% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The prices and other terms with respect to the offering and the 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 prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allocate 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 municipal 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, which are more generally bought, sold or traded in the secondary market.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's has assigned a credit rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2019, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $534.9 million, $132.5 million and $402.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

"THE DISTRICT" —Edminster, Hinshaw, Russ & Associates, Inc. ("Engineer") and Records of the District ("Records"); "THE SYSTEM"—Engineer", "THE ROADS"—Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED"—Records; "FINANCIAL STATEMENT"—Harris County Appraisal District and Wheeler & Associates, Inc. Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT"—Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA"— Wheeler & Associates, Inc.; "MANAGEMENT"—District Directors; "WATER AND SEWER OPERATIONS"—Records; and "DEBT SERVICE REQUIREMENTS"—Financial Advisor.

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," "THE SYSTEM," (as it relates to District facilities) and "THE ROADS" has been provided by Edminster, Hinshaw, Russ & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

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

Auditor: The financial statements of the District as of and for the fiscal year ended December 31, 2018, included in this offering document, have been audited by McGrath & Co., PLLC, Certified Public Accountants, as stated in their report appearing herein. See "APPENDIX A."

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

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report) and in Appendix A (Audited Financial Statements). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2019.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the generally accepted auditing standards adopted by the American Institute of Certified Public Accountants except as otherwise provided by the Water District Annual Audit Report Requirements Manual adopted by the Texas Commission on Environmental Quality, as from time to time revised, 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 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "Financial Obligation" when used in this paragraph means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the 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. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of West Harris County Municipal Utility District No. 21, as of the date shown on the cover page.

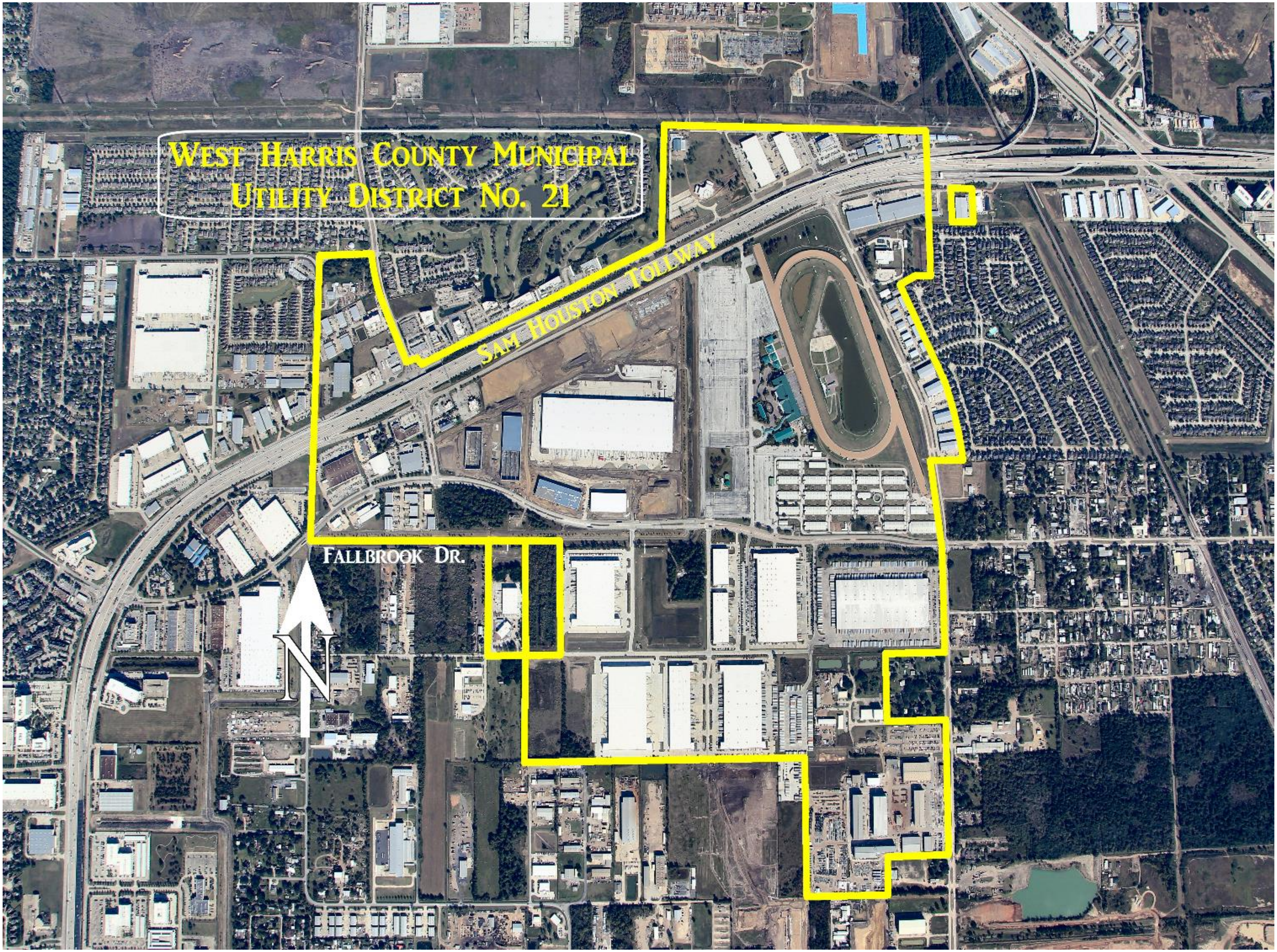
/s/ Kurt Adkins
President, Board of Directors

ATTEST:

/s/ Kathy Covey
Secretary, Board of Directors

AERIAL PHOTOGRAPH

(Approximate boundaries as of December 2019)


West Harris County Municipal
Utility District No. 21
Sam Houston Tollway
Fallbrook Dr.
N

PHOTOGRAPHS OF THE DISTRICT

The following photographs were taken in the District in December 2019 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.


Fallbrook Dr
FALLBROOK PINES
BUSINESS PARK


A LIBERTY PROPERTY
Rapid Deployment Center
Houston #5520
Truck Entrance
Associate Parking
THE HOME DEPOT


FOXCONN


Employer Flexible


CROWN
CASTLE


WELCOME TO
SAM HOUSTON RACE PARK
SAM HOUSTON
RACE PARK
SAM HOUSTON
RACE PARK


FAIRFIELD
INN & SUITES
Marriott


COMFORT SUITES


The Great Texas Steakhouse
STEAMBOAT HOUSE
A Tribute To Sam Houston & Texas Heroes
STEAMBOAT HOUSE
TEXAS STEAKHOUSE


Jack


POPEYES
LOUISIANA KITCHEN
POPEYES
LET US
CATER YOUR
NEXT EVENT!

APPENDIX A

District Audited Financial Statements for the fiscal year ended December 31, 2018

WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 21

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2018

Table of Contents

McGRATH & CO., PLLC
Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
West Harris County Municipal Utility District No. 21
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of West Harris County Municipal Utility District No. 21, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

Mark W. McGrath, CPA
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Colette M. Garcia, CPA
colette@mcgrath-co.com

Tayo Ilori, CPA, CFE
tayo@mcgrath-co.com

Crystal V. Horn, CPA
crystal@mcgrath-co.com

Opinion

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 West Harris County Municipal Utility District No. 21, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

McGrath & Co, PLLC

Houston, Texas
April 17, 2019

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of West Harris County Municipal Utility District No. 21 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at December 31, 2018, was $15,110,779. A comparative summary of the District's overall financial position, as of December 31, 2018 and 2017, is as follows:

	2018	2017
Current assets	$ 17,917,641	$ 15,842,148
Capital assets	13,084,649	12,780,752
Total assets	31,002,290	28,622,900
Current liabilities	1,758,869	1,636,234
Long-term liabilities	10,861,308	11,540,674
Total liabilities	12,620,177	13,176,908
Total deferred inflows of resources	3,271,334	3,102,829
Net position		
Net investment in capital assets	2,278,769	1,297,268
Restricted	2,187,754	2,375,846
Unrestricted	10,644,256	8,670,049
Total net position	$ 15,110,779	$ 12,343,163

The total net position of the District increased during the current fiscal year by $2,767,616. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2018	2017
Revenues		
Property taxes, penalties and interest	$ 3,381,061	$ 3,273,734
Water and sewer service	248,911	257,401
Other	1,498,673	1,160,815
Total revenues	5,128,645	4,691,950
Expenses		
Current service operations	1,601,336	1,609,902
Debt interest and fees	415,451	329,189
Developer interest		534,630
Debt issuance costs		492,473
Depreciation	344,242	332,677
Total expenses	2,361,029	3,298,871
Change in net position	2,767,616	1,393,079
Net position, beginning of year	12,343,163	10,950,084
Net position, end of year	$ 15,110,779	$ 12,343,163

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2018, were $14,301,878, which consists of $9,392,945 in the General Fund, $2,311,189 in the Debt Service Fund, $1,395,428 in the Capital Projects Fund, and $1,202,316 in the Special Revenue Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 11,572,506	$ 9,268,810
Total liabilities	$ 222,288	$ 115,069
Total deferred inflows	1,957,273	1,725,949
Total fund balance	9,392,945	7,427,792
Total liabilities, deferred inflows and fund balance	$ 11,572,506	$ 9,268,810

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

	2018	2017
Total revenues	$ 3,141,154	$ 2,464,438
Total expenditures	(1,176,001)	(1,091,206)
Revenues over expenditures	1,965,153	1,373,232
Other changes in fund balance		27,711
Net change in fund balance	$ 1,965,153	$ 1,400,943

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with building activity within the District
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District's boundaries and will fluctuate from year to year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 3,695,714	$ 3,927,483
Total liabilities	$ 18,295	$ 117
Total deferred inflows	1,366,230	1,414,475
Total fund balance	2,311,189	2,512,891
Total liabilities, deferred inflows and fund balance	$ 3,695,714	$ 3,927,483

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

	2018	2017
Total revenues	$ 1,606,966	$ 1,775,122
Total expenditures	(1,808,668)	(983,681)
Revenues over/(under) expenditures	$ (201,702)	$ 791,441

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 1,395,428	$ 1,367,590
Total liabilities	$ -	$ 400
Total fund balance	1,395,428	1,367,190
Total liabilities and fund balance	$ 1,395,428	$ 1,367,590

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

	2018	2017
Total revenues	$ 34,227	$ 4,276
Total expenditures	(5,989)	(7,546,405)
Revenues over/(under) expenditures	28,238	(7,542,129)
Other changes in fund balance		8,372,289
Net change in fund balance	$ 28,238	$ 830,160

The District did not have any significant capital asset in the current year. During the previous fiscal year, the District's capital asset activity was financed with proceeds from the issuance of its Series 2017 Unlimited Tax Bonds.

Special Revenue Fund

The Special Revenue Fund is used to account for the operating and maintenance costs of the District's water plant in accordance with the District's contract with Northwest Park Municipal Utility District (see Note 9). A comparative summary of the Special Revenue Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 1,292,951	$ 1,317,223
Total liabilities	$ 90,635	$ 107,165
Total fund balance	1,202,316	1,210,058
Total liabilities and fund balance	$ 1,292,951	$ 1,317,223

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

	2018	2017
Total revenues	$ 331,724	$ 457,345
Total expenditures	(339,466)	(487,603)
Revenues under expenditures	$ (7,742)	$ (30,258)

Revenues in the Special Revenue Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. As discussed in Note 9, prepaid pumpage fees paid to North Harris County Regional Water Authority are credited against monthly pumpage fees paid by the Special Revenue Fund to the North Harris County Regional Water Authority.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $486,553 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Capital assets not being depreciated		
Land and improvements	$ 4,610,104	$ 4,385,987
Capital assets being depreciated		
Infrastructure	11,915,980	11,491,958
Less accumulated depreciation	(3,441,435)	(3,097,193)
Depreciable capital assets, net	8,474,545	8,394,765
Capital assets, net	$ 13,084,649	$ 12,780,752

Capital asset additions during the current year include the following:

- Fallbrook Pines, Phase 2 detention and earthwork
- Fallbrook Pines, Section 3 – water, sewer and drainage

Long-Term Debt and Related Liabilities

As of December 31, 2018, the District owes $914,091 to developers for completed projects. As discussed in Note 6, the District has an additional commitment in the amount of $747,796 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the cost of the capital asset and related liability will be estimated and recorded on the District's financial statements. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost is trued up when the developers are reimbursed.

At December 31, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2009	$ 3,055,000	$ 3,565,000
2013	600,000	700,000
2017	7,700,000	8,400,000
	$ 11,355,000	$ 12,665,000

On May 5, 2018, the voters of the District authorized the District's Board of Directors to issue an additional $67,550,000 in unlimited tax bonds for water, sanitary sewer, and drainage facilities and the refunding of such bonds; and $27,620,000 for road improvements and the refunding of such bonds.

At December 31, 2018, the District had $71,260,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; and $27,620,000 for road bonds and the refunding of such bonds.

Next Year's Budget

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

	2018 Actual	2019 Budget
Total revenues	$ 3,141,154	$ 2,569,000
Total expenditures	(1,176,001)	(1,153,820)
Revenues over expenditures	1,965,153	1,415,180
Beginning fund balance	7,427,792	9,392,945
Ending fund balance	$ 9,392,945	$ 10,808,125

Property Taxes

The District's property tax base increased approximately $35,000,000 for the 2018 tax year from $510,222,163 to $545,222,494. This increase was primarily due to new construction in the District and increased property values. For the 2018 tax year, the District has levied a maintenance tax rate of $0.35 per $100 of assessed value and a debt service tax rate of $0.25 per $100 of assessed value, for a total combined tax rate of $0.60 per $100. Tax rates for the 2017 tax year were $0.36 per $100 for maintenance and operations and $0.30 per $100 for debt service for a combined total of $0.66 per $100 of assessed value.

Basic Financial Statements

West Harris County Municipal Utility District No. 21
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash	$ 390,427	$ 2,162,092	$ 12,119	$ 87,962	$ 2,652,600
Investments	9,099,212	1,575,173	1,234,886		11,909,271
Taxes receivable	1,063,464	761,589			1,825,053
Customer service receivables	29,847				29,847
Internal balances	806,518	(809,208)		2,690	
Due from other governments	126,515		5		126,520
Accrued interest receivable	10,658	6,068			16,726
Other receivables	1,359				1,359
Prepaid surface water pumpage fees				1,169,195	1,169,195
Prepaid insurance	5,548				5,548
Accrued surface water pumpage credits				33,104	33,104
Restricted cash			148,418		148,418
Operating Reserve - Water Plant	38,958				38,958
Capital assets not being depreciated					
Capital assets, net					
Total Assets	$ 11,572,506	$ 3,695,714	$ 1,395,428	$ 1,292,951	$ 17,956,599
Liabilities					
Accounts payable	$ 143,522	$ -	$ -	$ 3,748	$ 147,270
Other payables	78,766	18,295			97,061
Due to participants				8,970	8,970
Operating reserve				77,917	77,917
Accrued interest payable					
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	222,288	18,295		90,635	331,218
Deferred Inflows of Resources					
Deferred property taxes	1,909,961	1,366,230			3,276,191
Deferred City of Houston sales tax	47,312				47,312
	1,957,273	1,366,230			3,323,503
Fund Balances/Net Position					
Fund Balances					
Nonspendable	44,506			1,169,195	1,213,701
Restricted		2,311,189	1,395,428		3,706,617
Committed				33,121	33,121
Unassigned	9,348,439				9,348,439
Total Fund Balances	9,392,945	2,311,189	1,395,428	1,202,316	14,301,878
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,572,506	$ 3,695,714	$ 1,395,428	$ 1,292,951	$ 17,956,599
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 2,652,600
	11,909,271
	1,825,053
	29,847
	126,520
	16,726
	1,359
	1,169,195
	5,548
	33,104
	148,418
(38,958)	
4,610,104	4,610,104
8,474,545	8,474,545
13,045,691	31,002,290
	147,270
	97,061
	8,970
(38,958)	38,959
126,609	126,609
914,091	914,091
1,340,000	1,340,000
9,947,217	9,947,217
12,288,959	12,620,177
(4,857)	3,271,334
(47,312)	
(52,169)	3,271,334
(1,213,701)	
(3,706,617)	
(33,121)	
(9,348,439)	
(14,301,878)	
2,278,769	2,278,769
2,187,754	2,187,754
10,644,256	10,644,256
$ 15,110,779	$ 15,110,779

West Harris County Municipal Utility District No. 21
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Water service	$ 151,899	$ -	$ -	$ -	$ 151,899
Sewer service	97,012				97,012
Participant billings				266,908	266,908
Property taxes	1,801,136	1,530,922			3,332,058
Penalties and interest	7,254	43,487			50,741
Tap connection and inspection	163,178				163,178
Regional water authority fees	200,189				200,189
City of Houston sales tax revenues	559,449				559,449
Miscellaneous	3,265		11,500		14,765
Investment earnings	157,772	32,557	22,727	64,816	277,872
Total Revenues	3,141,154	1,606,966	34,227	331,724	5,114,071
Expenditures/Expenses					
Current service operations					
Purchased services	119,284				119,284
Professional fees	393,729		5,989	5,750	405,468
Contracted services	164,410	71,633		22,032	258,075
Repairs and maintenance	187,398			57,509	244,907
Utilities	50,084			36,902	86,986
Regional water authority fees	156,377			207,001	363,378
Administrative	103,068	8,247		10,272	121,587
Other	1,651				1,651
Debt service					
Principal		1,310,000			1,310,000
Interest and fees		418,788			418,788
Depreciation					
Total Expenditures/Expenses	1,176,001	1,808,668	5,989	339,466	3,330,124
Revenues Over/(Under) Expenditures	1,965,153	(201,702)	28,238	(7,742)	1,783,947
Change in net position					
Fund Balance/Net Position					
Beginning of the year	7,427,792	2,512,891	1,367,190	1,210,058	12,517,931
End of the year	$ 9,392,945	$ 2,311,189	$ 1,395,428	$ 1,202,316	$ 14,301,878

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 151,899
	97,012
	266,908
(1,738)	3,330,320
	50,741
	163,178
	200,189
16,312	575,761
	14,765
	277,872
14,574	5,128,645
	119,284
	405,468
	258,075
	244,907
	86,986
	363,378
	121,587
	1,651
(1,310,000)	
(3,337)	415,451
344,242	344,242
(969,095)	2,361,029
(1,783,947)	
2,767,616	2,767,616
(174,768)	12,343,163
$ 808,901	$ 15,110,779

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of West Harris County Municipal Utility District No. 21 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated August 9, 1990, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on November 29, 1990 and the first bonds were sold on June 8, 1994.

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

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and 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 statements as component units.

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees, and City of Houston sales tax rebates. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.
- The Special Revenue Fund is used to account for costs associated with the operation and maintenance of the District's joint water plant in accordance with the District's contract with Northwest Park Municipal Utility District (see Note 9).

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated over the useful lives of 20-45 years using the straight-line method. The District's detention facilities are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable and City of Houston sales tax rebates receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2018 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2018 property tax levy, which was levied to finance the 2019 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items, operating reserves for the joint water plant and prepaid pumpage fees in the joint water plant.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Fund balance in the Special Revenue Fund is reported as committed because it consists of resources required to be used for operation of the joint water plant.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 14,301,878
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 16,526,084	
Less accumulated depreciation	(3,441,435)	
Change due to capital assets		13,084,649
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:		
Bonds payable, net	(11,287,217)	
Interest payable on bonds	(126,609)	
Change due to long-term debt		(11,413,826)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position.*		(914,091)
The unavailable portion of property taxes receivable and collections of the 2018 levy are reported as deferred inflows in the fund statements. In the government wide statements, however, deferred inflows consist of the entire 2018 property tax levy.		
Fund level deferred property taxes	3,276,191	
Government wide level deferred property taxes	(3,271,334)	
Change due to property taxes		4,857
City of Houston sales tax rebates receivable but not available soon enough to pay current period expenditures are recorded as deferred inflows of resources in the funds.		47,312
Total net position - governmental activities		$ 15,110,779

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

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

Net change in fund balances - total governmental funds		$ 1,783,947
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for:		
Property taxes and related penalties and interest	$ (1,738)	
City of Houston sales tax rebates	16,312	
		14,574
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Principal payments	1,310,000	
Interest expense accrual	3,337	
		1,313,337
In the *Statement of Activities*, the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.		(344,242)
Change in net position of governmental activities		$ 2,767,616

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Restricted Cash

At December 31, 2018, the District held in escrow $3,451 from the Series 2009 Bonds and $144,968 from the Series 2013 Bonds, as required by the Texas Commission on Environmental Quality, for use on capital asset activity.

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of December 31, 2018, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 1,440,000			
	Debt Service	480,000			
		1,920,000	16%	N/A	N/A
TexPool	General	7,659,212			
	Debt Service	1,095,173			
	Capital Projects	1,234,886			
		9,989,271	84%	AAAm	21 days
Total		$ 11,909,271	100%		

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

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2018, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General	Debt Service	$ 809,208	Maintenance tax collections not remitted as of year end.
Special Revenue	General	2,690	The District's share of monthly joint water plant costs.

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2018, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 4,385,987	$ 224,117	$ 4,610,104
Capital assets being depreciated			
Infrastructure	11,491,958	424,022	11,915,980
Less accumulated depreciation	(3,097,193)	(344,242)	(3,441,435)
Subtotal depreciable capital assets, net	8,394,765	79,780	8,474,545
Capital assets, net	$ 12,780,752	$ 303,897	$ 13,084,649

Depreciation expense for the current year was $344,242.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	$ 265,952
Developer funded construction	648,139
Due to developers, end of year	$ 914,091

In addition, the District will owe the developers approximately $747,796, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
TCC Multifamily	$ 747,796	$ 282,109	$ 465,687

Note 7 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 11,355,000
Unamortized discounts	(67,783)
	$ 11,287,217
Due within one year	$ 1,340,000

The District's bonds payable at December 31, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2009	$ 3,055,000	$ 4,920,000	6.00% - 6.25%	September 1, 2015/2023	March 1, September 1	September 1, 2018
2013	600,000	1,255,000	2.50% - 3.55%	September 1, 2014/2025	March 1, September 1	September 1, 2020
2017	7,700,000	8,400,000	2.00% - 3.00%	March 1, 2018/2031	March 1, September 1	March 1, 2024
	$ 11,355,000					

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

On May 5, 2018, the voters of the District authorized the District's Board of Directors to issue an additional $67,550,000 in unlimited tax bonds for water, sanitary sewer, and drainage facilities and the refunding of such bonds; and $27,620,000 for road improvements and the refunding of such bonds.

At December 31, 2018, the District had authorized but unissued bonds in the amount of $71,260,000 for water, sewer and drainage facilities and the refunding of such bonds; and $27,620,000 for road bonds and the refunding of such bonds.

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

Bonds payable, beginning of year	$ 12,665,000
Bonds retired	(1,310,000)
Bonds payable, end of year	$ 11,355,000

Note 7 – Long–Term Debt (continued)

As of December 31, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	$ 1,340,000	$ 369,687	$ 1,709,687
2020	1,375,000	319,438	1,694,438
2021	1,410,000	266,999	1,676,999
2022	1,445,000	211,874	1,656,874
2023	1,485,000	154,563	1,639,563
2024	650,000	95,250	745,250
2025	650,000	81,500	731,500
2026	500,000	68,750	568,750
2027	500,000	58,438	558,438
2028	500,000	47,188	547,188
2029	500,000	34,688	534,688
2030	500,000	21,563	521,563
2031	500,000	7,500	507,500
	$ 11,355,000	$ 1,737,438	$ 13,092,438

Note 8 – Property Taxes

On November 2, 1993, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.00 per $100 of assessed value. On May 5, 2018, the voters of the District authorized the District's Board of Directors to levy a road maintenance tax limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of $0.66 per $100 of assessed value, of which $0.36 was allocated to maintenance and operations and $0.30 was allocated to debt service. The resulting tax levy was $3,367,465 on the adjusted taxable value of $510,222,163.

Note 8 – Property Taxes (continued)

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2018 levy collections in the amount of $1,451,138 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet.* On the government-wide *Statement of Net Position*, the full 2018 tax levy of $3,271,334 is reported as deferred inflows. These amounts will be recognized as revenue in 2019.

Property taxes receivable, at December 31, 2018, consisted of the following:

Current year taxes receivable	$	1,820,196
Prior years taxes receivable		3,324
		1,823,520
Penalty and interest receivable		1,533
Property taxes receivable	$	1,825,053

Note 9 – Water Supply and Wastewater Treatment Agreement

On November 19, 2002, the District and Northwest Park Municipal Utility District ("NW MUD") entered into a Water Supply and Wastewater Treatment Agreement. Pursuant to this agreement, the District can discharge up to 90,000 gallons per day into the NW MUD's wastewater collection system. During the current fiscal year, the District recorded expenditures in the amount of $25,642 for wastewater services from NW MUD.

The water supply provisions of this agreement were amended on February 1, 2006, when the District and NW MUD entered into a 50-year Water Supply Agreement. Pursuant to the agreements the District agreed to sell excess capacity in its water supply system in the amount of 1,200 equivalent single family connections (ESFCs) to NW MUD. The District will expand the capacity of its water plant to 3,000 ESFCs. Accordingly, 40% of total capacity in the expanded plant will be reserved for NW MUD. Ownership of the water plant remains with the District.

The District established a Special Revenue Fund to account for the operating and maintenance costs of the water plant. Each district has provided funds to establish an operating reserve in the Special Revenue Fund equal to two months of estimated expenses. Operating and maintenance costs are allocated between the districts depending upon whether the costs are fixed or variable in nature. Fixed costs are allocated based on each district's pro-rata share of expanded 3,000 ESFC of capacity. Variable costs are allocated based on the ratio of water delivered to each district to the total amount of water produced by the water plant for the period. The districts are billed monthly for both fixed and variable costs.

Note 9 – Water Supply and Wastewater Treatment Agreement (continued)

The following table summarizes the operating reserves and amounts billed to each district during the year:

	West Harris County MUD 21	Northwest Park MUD	Total
Billings	$ 250,019	$ 16,889	$ 266,908
Operating Reserve	38,958	38,959	77,917

Note 10 – Regional Water Authority

Creation and Purpose

The North Harris County Regional Water Authority (the "Authority") was created by House Bill 2965, Acts of the 76th Legislature, Regular Session 1999, and was confirmed by an election held on January 15, 2000. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors and was created to provide a regional entity to develop and implement a strategy for complying with the surface water conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal. The Authority is responsible for the construction and maintenance of the necessary facilities to provide surface water as an alternative to groundwater. The Authority began providing surface water in January 2011 and continues to construct additional facilities to expand its service delivery area.

Groundwater Pumpage Fees

The Authority charges a groundwater pumpage fee to all permitted well owners within its boundaries and a surface water fee for all surface water provided to water suppliers. In 2018, the groundwater pumpage fee was $3.40 per 1,000 gallons and the surface water fee was $3.85 per 1,000 gallons. These fees are subject to change. For the fiscal year ended December 31, 2018, the District recorded $178,828 in groundwater pumpage fees for its customers. The District billed its customers $200,189 to offset the fees charged by the Authority.

Capital Contributions

In 2008, the District entered into a capital contribution agreement (the "Agreement") with the Authority. The Agreement required the District to make a capital contribution to the Authority in the amount of $1,311,209. Pursuant to the Water Supply Agreement discussed in Note 9, the District paid $406,475 of the total capital contribution, while NW MUD paid $904,734. The District will receive repayment through credits for District pumpage fees and water payments as they become due each year. In addition, any remaining amounts owed to the District after the credits have all been applied will be paid to the District. These repayments accrue interest at 5.3755% per year and were or will be repaid with interest-only payments from 2009 through 2013 and principal and interest from 2014 through 2038.

Note 10 – Regional Water Authority (continued)

Capital Contributions (continued)

During the current year, the District received contribution credits in the amount of $96,565, which consisted of a principal component of $31,885 and an interest component of $64,680. This amount is reported in the Special Revenue Fund, since it reduces the fees paid by the Special Revenue Fund to the Authority.

Year	Principal	Interest	Amount
2019	$ 33,599	$ 62,967	$ 96,566
2020	35,405	61,161	96,566
2021	37,308	59,258	96,566
2022	39,313	57,252	96,565
2023	41,427	55,139	96,566
2024	43,653	52,912	96,565
2025	46,000	50,565	96,565
2026	48,473	48,093	96,566
2027	51,078	45,487	96,565
2028	53,824	42,741	96,565
2029	56,717	39,848	96,565
2030	59,766	36,799	96,565
2031	62,979	33,586	96,565
2032	66,364	30,201	96,565
2033	69,932	26,634	96,566
2034	73,691	22,874	96,565
2035	77,652	18,913	96,565
2036	81,827	14,739	96,566
2037	86,225	10,340	96,565
2038	90,860	5,705	96,565
2039	13,102	817	13,919
	$ 1,169,195	$ 776,031	$ 1,945,226

Note 11 – Strategic Partnership Agreement

On November 22, 2013, the District and the City of Houston (the "City") entered into a Strategic Partnership Agreement (the "Agreement") under which the City annexed a tract of land within the boundaries of the District for the limited purposes of levying a sales and use tax on commercial activities within such tract. The District continues to exercise all powers and functions of a municipal utility district as provided by law with respect to the tract.

Note 11 – Strategic Partnership Agreement (continued)

As consideration for the District providing services as detailed in the Agreement, the City agreed to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agreed to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agreed it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recognized $575,761 in revenue from tax rebates from the City.

Note 12 – Risk Management

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

Note 13 – Concentration of Risk

Approximately 54% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

Note 14 – Subsequent Event

On January 11, 2019, the District redeemed $3,055,000 of its outstanding Series 2009 bonds with $1,535,850 from the General Fund and $1,591,328 from the Debt Service Fund. This redemption will save the District approximately $524,241 in future debt service payments.

Required Supplementary Information

West Harris County Municipal Utility District No. 21
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 175,000	$ 151,899	$ (23,101)
Sewer service	95,000	97,012	2,012
Property taxes	1,500,000	1,801,136	301,136
Penalties and interest	9,000	7,254	(1,746)
Tap connection and inspection		163,178	163,178
Regional water authority fees	165,000	200,189	35,189
City of Houston sales tax revenues	410,000	559,449	149,449
Miscellaneous		3,265	3,265
Investment earnings	40,000	157,772	117,772
Total Revenues	2,394,000	3,141,154	747,154
Expenditures			
Current service operations			
Purchased services	74,000	119,284	(45,284)
Professional fees	326,000	393,729	(67,729)
Contracted services	81,100	164,410	(83,310)
Repairs and maintenance	155,500	187,398	(31,898)
Utilities	45,000	50,084	(5,084)
Regional water authority fees	150,000	156,377	(6,377)
Administrative	80,300	103,068	(22,768)
Other	3,500	1,651	1,849
Total Expenditures	915,400	1,176,001	(260,601)
Revenues Over Expenditures	1,478,600	1,965,153	486,553
Fund Balance			
Beginning of the year	7,427,792	7,427,792	
End of the year	$ 8,906,392	$ 9,392,945	$ 486,553

West Harris County Municipal Utility District No. 21
Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billing	$ 479,500	$ 266,908	$ (212,592)
Investment earnings		64,816	64,816
Total Revenues	479,500	331,724	(147,776)
Expenditures			
Current service operations			
Professional fees	6,500	5,750	750
Contracted services	19,500	22,032	(2,532)
Repairs and maintenance	70,500	57,509	12,991
Utilities	50,000	36,902	13,098
Surface water fees	320,000	207,001	112,999
Administrative	13,000	10,272	2,728
Total Expenditures	479,500	339,466	140,034
Revenues Under Expenditures		(7,742)	(7,742)
Fund Balance			
Beginning of the year	1,210,058	1,210,058	
End of the year	$ 1,210,058	$ 1,202,316	$ (7,742)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

Texas Supplementary Information

West Harris County Municipal Utility District No. 21
TSI-1. Services and Rates
December 31, 2018

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

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

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

[ ] Other (Specify): ______

2. Retail Service Providers
(You may omit this information if your district does not provide retail services)

a. Retail Rates for commercial water service:

	Minimum Charge	Minimum Usage	Flat Rate (Y/N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 25.00	10,000	N	$ 1.50	10,001	to	no limit
Wastewater:	$ 25.00	10,000	N	$ 1.50	10,001	to	no limit
Surcharge:	$ 3.40	1,000	N	$ 2.00	1,000	to	no limit

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

Total charges per 10,000 gallons usage: Water $ 59.00 Wastewater $ 25.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	5	5	x 1.0	5
1"	23	22	x 2.5	55
1.5"	14	14	x 5.0	70
2"	38	38	x 8.0	304
3"			x 15.0	
4"			x 25.0	
6"	7	7	x 50.0	350
8"	7	7	x 80.0	560
10"	1	1	x 115.0	115
Total Water	95	94		1,459
Total Wastewater	52	52	x 1.0	52

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
   (You may omit this information if your district does not provide water)

Gallons pumped into system:	64,070,000	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons purchased from Reid Road MUD No. 2	24,300,000	
Gallons sold to Northwest Park and Reid Road MUD #2	18,596,000	
Gallons billed to customers:	61,143,000	90.23%

4. Standby Fees (authorized only under TWC Section 49.231):
   (You may omit this information if your district does not levy standby fees)

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

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

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

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

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

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

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

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

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

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

   Entirely [X] Partly [ ] Not at all [ ]

   ETJs in which the District is located: City of Houston

   Are Board members appointed by an office outside the district? Yes [ ] No [X]

   If Yes, by whom? ____________

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-2 General Fund Expenditures
December 31, 2018

Purchased services	$ 119,284
Professional fees	
Legal	338,125
Audit	11,000
Engineering	44,604
	393,729
Contracted services	
Bookkeeping	15,511
Operator	46,699
Garbage	2,038
Tap connection and inspection	88,227
Sludge removal	11,935
	164,410
Repairs and maintenance	187,398
Utilities	50,084
Regional water authority fees	156,377
Administrative	
Directors fees	27,150
Printing and office supplies	23,432
Insurance	14,442
Other	38,044
	103,068
Other	1,651
Total expenditures	$ 1,176,001

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-3. Investments
December 31, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General					
TexPool	XXXXX00001	Variable	N/A	$ 7,659,212	$ -
Certificate of deposit	XXXXX02842	2.40%	09/11/19	240,000	1,752
Certificate of deposit	XXXXX99077	2.35%	09/06/19	240,000	1,792
Certificate of deposit	XXXXX691	2.35%	09/10/19	240,000	1,731
Certificate of deposit	XXXXX03411	2.45%	09/10/19	240,000	1,804
Certificate of deposit	XXXXX00023	2.38%	09/18/19	240,000	1,627
Certificate of deposit	XXXXX094	2.65%	09/10/19	240,000	1,952
				9,099,212	10,658
Debt Service					
TexPool	XXXXX00004	Variable	N/A	1,095,173	
Certificate of deposit	XXXXX41746	2.00%	04/11/19	240,000	3,472
Certificate of deposit	XXXXX112	2.35%	07/16/19	240,000	2,596
				1,575,173	6,068
Capital Projects					
TexPool	XXXXX00003	Variable	N/A	1,234,886	
Total - All Funds				$ 11,909,271	$ 16,726

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-4. Taxes Levied and Receivable
December 31, 2018

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 761,016	$ 634,666	$ 1,395,682
Adjustments	144,560	120,525	265,085
Adjusted Receivable	905,576	755,191	1,660,767
2018 Original Tax Levy	1,735,670	1,239,764	2,975,434
Adjustments	172,608	123,292	295,900
Adjusted Tax Levy	1,908,278	1,363,056	3,271,334
Total to be accounted for	2,813,854	2,118,247	4,932,101
Tax collections			
Current year	846,497	604,641	1,451,138
Prior years	903,893	753,550	1,657,443
Total Collections	1,750,390	1,358,191	3,108,581
Taxes Receivable, End of Year	$ 1,063,464	$ 760,056	$ 1,823,520
Taxes Receivable, By Years			
2018	$ 1,061,781	$ 758,415	$ 1,820,196
2017	824	686	1,510
2016	859	955	1,814
Taxes Receivable, End of Year	$ 1,063,464	$ 760,056	$ 1,823,520

	2018	2017	2016	2015
Property Valuations				
Land	$ 100,165,879	$ 100,028,226	$ 89,662,663	$ 89,215,163
Improvements	249,820,067	232,862,925	189,884,410	157,652,154
Personal Property	548,746,110	408,223,881	178,822,832	125,040,192
Exemptions	(353,509,562)	(230,892,869)	(33,338,318)	(33,728,527)
Total Property Valuations	$ 545,222,494	$ 510,222,163	$ 425,031,587	$ 338,178,982
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.35	$ 0.36	$ 0.36	$ 0.43
Debt service tax rates	0.25	0.30	0.40	0.42
	$ 0.60	$ 0.66	$ 0.76	$ 0.85
Adjusted Tax Levy	$ 3,271,334	$ 3,367,465	$ 3,230,239	$ 2,874,520
Percentage of Taxes Collected to Taxes Levied ***	44.36%	99.95%	99.94%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.00 on November 2, 1993

** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 5, 2018

*** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-5. Long-Term Debt Service Requirements
Series 2009--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 540,000	$ 190,937	$ 730,937
2020	575,000	157,188	732,188
2021	610,000	121,249	731,249
2022	645,000	83,124	728,124
2023	685,000	42,813	727,813
	$ 3,055,000	$ 595,311	$ 3,650,311

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 100,000	$ 18,000	$ 118,000
2020	100,000	15,500	115,500
2021	100,000	13,000	113,000
2022	100,000	10,000	110,000
2023	100,000	7,000	107,000
2024	50,000	3,500	53,500
2025	50,000	1,750	51,750
	$ 600,000	$ 68,750	$ 668,750

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2019	$ 700,000	$ 160,750	$ 860,750
2020	700,000	146,750	846,750
2021	700,000	132,750	832,750
2022	700,000	118,750	818,750
2023	700,000	104,750	804,750
2024	600,000	91,750	691,750
2025	600,000	79,750	679,750
2026	500,000	68,750	568,750
2027	500,000	58,438	558,438
2028	500,000	47,188	547,188
2029	500,000	34,688	534,688
2030	500,000	21,563	521,563
2031	500,000	7,500	507,500
	$ 7,700,000	$ 1,073,377	$ 8,773,377

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 1,340,000	$ 369,687	$ 1,709,687
2020	1,375,000	319,438	1,694,438
2021	1,410,000	266,999	1,676,999
2022	1,445,000	211,874	1,656,874
2023	1,485,000	154,563	1,639,563
2024	650,000	95,250	745,250
2025	650,000	81,500	731,500
2026	500,000	68,750	568,750
2027	500,000	58,438	558,438
2028	500,000	47,188	547,188
2029	500,000	34,688	534,688
2030	500,000	21,563	521,563
2031	500,000	7,500	507,500
	$ 11,355,000	$ 1,737,438	$ 13,092,438

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-6. Change in Long-Term Bonded Debt
December 31, 2018

	Bond Issue			
	Series 2009	Series 2013	Series 2017	Totals
Interest rate	6% - 6.25%	2.5% - 3.55%	2% - 3%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/2015 - 9/1/2023	9/1/2014 - 9/1/2025	3/1/2018 - 3/1/2031	
Beginning bonds outstanding	$ 3,565,000	$ 700,000	$ 8,400,000	$ 12,665,000
Bonds retired	(510,000)	(100,000)	(700,000)	(1,310,000)
Ending bonds outstanding	$ 3,055,000	$ 600,000	$ 7,700,000	$ 11,355,000
Interest paid during fiscal year	$ 221,538	$ 20,500	$ 174,750	$ 416,788

Paying agent's name and city
Series 2009, 2013, and 2017 — Bank of New York Mellon Trust Company, N.A. Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds and Refunding	Road Bonds and Refunding
Amount Authorized by Voters	$ 92,550,000	$ 27,620,000
Amount Issued	(21,290,000)	
Remaining To Be Issued	$ 71,260,000	$ 27,620,000

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

Debt Service Fund cash and investments balances as of December 31, 2018: $ 3,737,265

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 1,007,111

See accompanying auditors' report.

West Harris County Municipal Utility District No. 21
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Water service	$ 151,899	$ 160,531	$ 140,425	$ 131,295	$ 166,159
Sewer service	97,012	96,870	81,772	76,649	114,904
Property taxes	1,801,136	1,523,531	1,473,474	1,413,696	782,086
Penalties and interest	7,254	7,702	13,872	1,487	2,931
Tap connection and inspection	163,178	19,954	229,769	240,329	435,583
Regional water authority fees	200,189	162,038	111,544	92,182	76,878
City of Houston sales tax revenues	559,449	430,328	401,765	420,255	213,205
Miscellaneous	3,265	2,458	3,482	3,236	6,107
Investment earnings	157,772	61,026	21,150	4,181	1,589
Total Revenues	3,141,154	2,464,438	2,477,253	2,383,310	1,799,442
Expenditures					
Current service operations					
Purchased services	119,284	88,289	130,846	69,301	40,172
Professional fees	393,729	318,987	350,124	280,642	240,020
Contracted services	164,410	105,881	169,775	156,601	210,766
Repairs and maintenance	187,398	144,535	109,535	88,921	113,632
Utilities	50,084	44,569	42,288	37,660	35,992
Regional water authority fees	156,377	155,082	167,478	33,951	61,741
Administrative	103,068	84,226	75,796	80,451	59,471
Other	1,651	1,651	2,151	4,053	1,479
Capital outlay		147,986	191,713		
Total Expenditures	1,176,001	1,091,206	1,239,706	751,580	763,273
Revenues Over Expenditures	$ 1,965,153	$ 1,373,232	$ 1,237,547	$ 1,631,730	$ 1,036,169

*Percentage is negligible

See accompanying auditors' report.

	Percent of Fund Total Revenues				
	2018	2017	2016	2015	2014
	5%	7%	6%	6%	10%
	3%	4%	3%	3%	6%
	58%	62%	59%	59%	43%
	*	*	1%	*	*
	5%	1%	9%	10%	24%
	6%	7%	5%	4%	4%
	18%	17%	16%	18%	13%
	*	*	*	*	*
	5%	2%	1%	*	*
	100%	100%	100%	100%	100%
	4%	4%	5%	3%	2%
	13%	13%	14%	12%	13%
	5%	4%	7%	7%	12%
	6%	6%	4%	4%	6%
	2%	2%	2%	2%	2%
	5%	6%	7%	1%	3%
	3%	3%	3%	3%	3%
	*	*	*	*	*
		6%	8%		
	38%	44%	50%	32%	41%
	62%	56%	50%	68%	59%

West Harris County Municipal Utility District No. 21
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	$ 1,530,922	$ 1,692,844	$ 1,436,738	$ 1,119,720	$ 920,949
Penalty and interest	43,487	50,296	30,481	39,899	12,878
Accrued interest on bonds sold		9,592			
Investment earnings	32,557	22,390	6,602	3,336	2,672
Total Revenues	1,606,966	1,775,122	1,473,821	1,162,955	936,499
Expenditures					
Tax collection services	79,880	77,543	79,215	116,880	46,264
Debt service					
Principal	1,310,000	630,000	600,000	575,000	710,000
Interest and fees	418,788	276,138	306,588	335,838	377,788
Total Expenditures	1,808,668	983,681	985,803	1,027,718	1,134,052
Revenues Over/(Under) Expenditures	$ (201,702)	$ 791,441	$ 488,018	$ 135,237	$ (197,553)
Total Active Retail Water Connections	94	90	86	84	75
Total Active Retail Wastewater Connections	52	48	47	46	46

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
95%	95%	98%	97%	99%
3%	3%	2%	3%	1%
	1%			
2%	1%	*	*	*
100%	100%	100%	100%	100%
5%	4%	5%	10%	5%
82%	35%	41%	49%	76%
26%	16%	21%	29%	40%
113%	55%	67%	88%	121%
(13%)	45%	33%	12%	(21%)

West Harris County Municipal Utility District No. 21
TSI-8. Board Members, Key Personnel and Consultants
December 31, 2018

Complete District Mailing Address:	10000 Memorial Drive, Suite 260, Houston, Texas 77024
District Business Telephone Number:	(713) 951-0800
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	December 12, 2017
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Kurt Adkins	5/18-5/22	$ 4,800	$ 2,616	President
Julianna S. Lind	5/16-5/20	6,450	3,425	Vice President
Kathy Covey	5/16-5/20	6,150	2,671	Secretary
Mary Lou Verdine	5/16-5/20	3,150	268	Assistant Secretary
Helaine Lubetkin	5/15-5/22	6,600	3,381	Director
		Amounts Paid		
Consultants				
Young & Brooks	11/29/90	$ 381,009		Attorney
Environmental Development Partners, LLC	6/28/12	293,662		Operator
Myrtle Cruz, Inc.	11/4/93	25,523		Bookkeeper
Wheeler & Associates, Inc.	11/4/93	14,045		Tax Collector
Harris County Appraisal District	Legislation	25,355		Property Valuation
Edminster, Hinshaw, Russ & Associates, Inc.	11/29/90	44,604		Engineer
McGrath & Co., PLLC	Annual	16,750		Auditor
Masterson Advisors, LLC	6/8/18			Financial Advisor

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

APPENDIX B

Specimen Municipal Bond Insurance Policy

BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)