OFFICIAL STATEMENT DATED OCTOBER 21, 2020

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS ARE **NOT** "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry-Only

Insured Ratings (AGM):	S&P "AA" (stable outlook)
	Moody's "A2" (stable outlook)
Underlying Rating:	Moody's "Baa2"

See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$11,865,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 457
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2020

The bonds described above (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 457 (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District.

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

Interest accrues from: November 1, 2020 **Due: September 1, as shown below**

Principal of the Bonds is 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") upon surrender of the Bonds for payment. Interest on the Bonds accrues from November 1, 2020, and is payable each March 1 and September 1, commencing March 1, 2021, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

ASSURED GUARANTY MUNICIPAL

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

MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (September 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
$ 470,000	2021	41423K CB2	3.000 %	0.400 %	$ 475,000	2032 (a)	41423K CN6	2.000 %	2.000 %
475,000	2022	41423K CC0	3.000	0.500	475,000	2033 (a)	41423K CP1	2.000	2.100
475,000	2023	41423K CD8	3.000	0.600	475,000	2034 (a)	41423K CQ9	2.000	2.200
475,000	2024	41423K CE6	3.000	0.700	475,000	2035 (a)	41423K CR7	2.000	2.300
475,000	2025	41423K CF3	3.000	0.850	475,000	2036 (a)	41423K CS5	2.125	2.350
475,000	2026 (a)	41423K CG1	2.000	1.000	475,000	2037 (a)	41423K CT3	2.125	2.400
475,000	2027 (a)	41423K CH9	2.000	1.200	475,000	2038 (a)	41423K CU0	2.250	2.450
475,000	2028 (a)	41423K CJ5	2.000	1.400	475,000	2039 (a)	41423K CV8	2.250	2.500
475,000	2029 (a)	41423K CK2	2.000	1.550	475,000	2040 (a)	41423K CW6	2.375	2.550
475,000	2030 (a)	41423K CL0	2.000	1.800	475,000	2041 (a)	41423K CX4	2.500	2.600
475,000	2031 (a)	41423K CM8	2.000	1.900					

$1,895,000 Term Bonds due September 1, 2045 (a), 41423K DB1 (b), 2.500% Interest Rate, 2.700% Yield (c)

(a) Bonds maturing on or after September 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

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

(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 18, 2020 in Houston, Texas.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.0207% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.518521% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which 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.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General.. The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Impact... Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

EXTREME WEATHER EVENTS; HURRICANE HARVEY

General... The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. 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 25, 2017, and brought historic levels of rainfall during the successive four days.

Impact on District........................... According to Si Environmental, LLC (the "Operator"), BGE, Inc. (the "Engineer") and NASH FM 529, LLC (the "Developer"), the water, wastewater and drainage system serving the District did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Operator, Engineer and Developer, no homes 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 in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey" and "THE SYSTEM—Flood Protection and Drainage."

THE DISTRICT

Description .... Harris County Municipal Utility District No. 457 (the "District") is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the "TCEQ") on December 21, 2006, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8439 of the Texas Special District Local Laws Code. The District consists of approximately 1,090 acres of land. See "THE DISTRICT."

Location.. The District is located approximately 35 miles west of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. Access to the District is provided by the Grand Parkway (Texas State Highway 99) to Farm-to-Market 529. Other thoroughfares to the community include Peek Road, Porter Road and Beckendorff Road. See "THE DISTRICT—Description and Location."

Elyson .... The District is being developed and marketed as part of Elyson, a master-planned community currently planned to encompass approximately 3,586 acres at full development. The majority of all development in Elyson is currently taking place within the District. See "ELYSON" and "THE DEVELOPER."

The Developer .... NASH FM 529, LLC (the "Developer"), a Delaware limited liability company, is the developer of Elyson. The Developer was created for the sole purpose of developing Elyson. Its only substantial asset consists of land in the Service Area (as hereinafter defined). The Developer is indirectly wholly owned by North America Sekisui House, LLC ("NASH"), a Delaware limited liability company, with 95% of the ownership, and American Newland Communities II, LP ("Newland"), with 5% of the ownership. North America Sekisui House, LLC is a wholly owned subsidiary of Japan's SEKISUI HOUSE, Ltd., a publicly traded company located in Osaka, Japan. See "THE DEVELOPER."

Neither the Developer nor any of its affiliates are obligated to pay any principal of or interest on the Bonds. See "INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers and the Developer" and "THE DEVELOPER."

Status of Development .... The District is being developed as part of the master-planned community of Elyson currently consisting of 1,400 single-family residential lots on approximately 455 acres. According to the Developer, homes within the District have a sales price ranging from approximately $225,000 to over $550,000. As of August 15, 2020, approximately 981 homes were complete (974 occupied), 132 homes were under construction or continue to be owned by a builder and 287 developed lots were available for home construction. In addition, 374 lots on approximately 100 acres are under construction with utilities with expected completion in the fourth quarter of 2020. Amenities and recreational facilities have been constructed on approximately 16 acres. Approximately 14 acres within the District have been developed as a daycare center, a gas station and a shopping center, approximately 15 acres have been served with trunk facilities for future commercial development and approximately 13 acres have been developed as an elementary school. Additionally, approximately 39 developable acres have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 438 acres are not developable. See "THE DISTRICT—Land Use," and "—Status of Development."

Recreational amenities within the District include a 6,500 square foot welcome center that includes a pool, a fitness center, a game room and a full-service café. Park and open space within the District are or are planned to be connected by a master trail system.

Homebuilders .... Homebuilders in the District include Darling Homes, Taylor Morrison, Perry Homes, Pulte Homes, Highland Homes, Chesmar Homes, Westin Homes, Lennar Homes and Drees Custom Homes. See "THE DEVELOPER—Homebuilding."

Water and Wastewater .... Harris County Municipal Utility District No. 171 (the “Master District”), in its capacity as the provider of regional water, wastewater, storm sewer (“Master District Water/Sewer/Drainage Facilities”), park, road (“Master District Road Facilities”) and other facilities necessary to serve the Service Area (as defined herein), including the District (hereinafter collectively referred to as the “Master District Facilities”), has contracted with the District to construct and provide service from the Master District Facilities. The Master District owns and operates the Master District Facilities, with the exception of roads conveyed to and accepted by Harris County. The District provides the internal water distribution, wastewater collection and storm drainage utilities within its boundaries. See “THE SYSTEM—The Master District Contract,” and “—Master District Facilities.”

Payment Record .... The District has previously issued $8,125,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities (the “Water/Sewer/Drainage Bonds”) in one series and $3,750,000 principal amount of unlimited tax bonds for roads and related improvements (the “Road Bonds”) in one series, $11,385,000 of which collectively remains outstanding (the “Outstanding Bonds”) as of the date hereof. Twenty-four (24) months of interest was capitalized in September 2019 in connection with the Outstanding Water/Sewer/Drainage Bonds (as defined in “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds”) and twelve (12) months of interest will be capitalized from Bond proceeds. The District has never defaulted on its debt service obligations. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

THE BONDS

Description .... $11,865,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the District's Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature serially on September 1 in the years 2021 through 2041, both inclusive, and as term bonds on September 1, 2045 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from November 1, 2020, and is payable March 1, 2021, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. See “THE BONDS.”

Book-Entry-Only System .... 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 securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully- registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption .... Bonds maturing on or after September 1, 2026 are subject to redemption prior to their maturity dates in whole, or from time to time in part, at the option of the District on September 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds .... Proceeds of the Bonds will be used to pay for construction costs as shown herein under the heading “USE AND DISTRIBUTION OF BOND PROCEEDS,” to capitalize twelve (12) months of interest on the Bonds, to pay interest on funds advanced by the Developer on behalf of the District, and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.

Authority for Issuance .... The Bonds are the second series of bonds issued out of an aggregate of $192,090,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing water, sewer and storm drainage facilities. The Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas related to the issuance of bonds by political subdivisions of the State of Texas, an order of the TCEQ, and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”). See “INVESTMENT CONSIDERATIONS—Future Debt” and “THE BONDS—Authority for Issuance,” and “—Issuance of Additional Debt.”

Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Harris County, the State of Texas, the Master District or any entity other than the District. See "THE BONDS—Source of Payment."
Municipal Bond Rating and Municipal Bond Insurance	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, 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 ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer"). Moody's has also assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."
Not *Qualified Tax-Exempt Obligations*	The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."
Financial Advisor	Masterson Advisors LLC, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Taxable Assessed Valuation	$319,807,484	(a)
Estimated Taxable Assessed Valuation as of July 15, 2020	$381,726,961	(b)
Gross Direct Debt Outstanding	$ 23,250,000	(c)
Estimated Overlapping Debt	55,878,533	(d)
Gross Direct Debt and Estimated Overlapping Debt	$ 79,128,533	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	7.27%	
Estimated Taxable Assessed Valuation as of July 15, 2020	6.09%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	24.74%	
Estimated Taxable Assessed Valuation as of July 15, 2020	20.73%	
Debt Service Funds Available as of September 14, 2020:		
Water, Sewer and Drainage Debt Service Funds	$288,595	(e)
Capitalized Interest from Bond Proceeds (Twelve Months)	278,194	(e, f)
Road Debt Service Funds	72,132	(e)
Total Debt Service Funds Available	$638,921	
Operating Funds Available as of September 14, 2020	$1,433,965	
Water, Sewer and Drainage Capital Projects Funds Available as of September 14, 2020	$ 545,400	
Road Capital Projects Funds Available as of September 14, 2020	$ 5,182	
2020 Debt Service Tax Rate	$0.38	(g)
2020 Maintenance Tax Rate	0.31	
2020 Contract Tax Rate	0.81	
Total 2020 Tax Rate	$1.50	(h)
Average Annual Debt Service (2021-2045)	$1,260,836	(i)
Maximum Annual Debt Service (2022)	$1,372,181	(i)
Tax Rates Required to Pay Average Annual Debt Service (2021-2045) at a 95% Collection Rate		
Based on 2020 Taxable Assessed Valuation	$0.42	
Based on Estimated Taxable Assessed Valuation as of July 15, 2020	$0.35	
Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate		
Based on 2020 Taxable Assessed Valuation	$0.46	
Based on Estimated Taxable Assessed Valuation as of July 15, 2020	$0.38	
Status of Development as of August 15, 2020 (j):		
Completed Occupied Homes	974	
Completed Unoccupied Homes	7	
Homes Under Construction or in a Builder's Name	132	
Lots Available for Home Construction	287	
Lots Under Construction	374	
Commercial	(j)	
Estimated Population	3,409	(k)

(a) The Harris County Appraisal District (the "Appraisal District") has certified $295,634,929 of taxable value and an additional $24,172,555 of taxable value remains uncertified. According to the Appraisal District, the uncertified value represents the landowner's opinion of the taxable value; however, such value could be subject to downward revision. No tax will be levied on the uncertified value until it is certified. The 2020 Taxable Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) The Estimated Taxable Assessed Valuation has been provided by the Appraisal District as of July 15, 2020. No tax will be levied on such amount until it is certified by the Appraisal District.

(c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)— Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) 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 the Bonds and the Outstanding Water, Sewer and Drainage Bonds and a pro rata portion will be allocated to the Outstanding Road Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Water, Sewer and Drainage Debt Service Fund is not pledged to the Road Bonds nor will funds deposited into the Road Debt Service Fund be pledged to the Bonds. The Water, Sewer and Drainage debt service fund balance above includes capitalized interest from the Series 2019 Bonds. See "THE SYSTEM—Master District Contract."

(f) The District will capitalize twelve (12) months of interest on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) Of the 2020 debt service tax rate of $0.38, $0.31 is allocated to Water, Sewer and Drainage Bonds and $0.07 is allocated to Road Bonds.

(h) See "TAX DATA—Historical Tax Rate Distribution."

(i) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(j) See "THE DISTRICT—Land Use," and "—Status of Development."

(k) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

$11,865,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 457
(A political subdivision of the State of Texas located within Harris County)

UNLIMITED TAX BONDS
SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 457 (the "District") of its $11,865,000 Unlimited Tax Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions, Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality ("TCEQ"), an election held within the District and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board").

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, NASH FM 529, LLC, a Delaware limited liability company (the "Developer") and development activity in 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated and accrue interest from November 1, 2020, with interest payable each March 1 and September 1, beginning March 1, 2021 (the "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"). 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. In the event the book-entry-only system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner of the Bonds (the "Registered Owners") of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon 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 Resolution.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston, Harris County Municipal Utility District No. 171 (the "Master District" or "MUD 171"), or any entity other than the District.

Funds

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

The District also maintains a Road Debt Service Fund that is not pledged to the Water, Sewer and Drainage Bonds, including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on the Bonds and funds in the Water/Sewer/Drainage Debt Service Fund are not available to pay principal and interest on the Road Bonds.

Accrued interest on the Bonds and twelve (12) months of capitalized interest shall be deposited into the Water/Sewer/Drainage Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Water/Sewer/Drainage Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Water/Sewer/Drainage Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Water/Sewer/Drainage Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1, 2045 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced, at the option of the District, by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$1,895,000 Term Bonds

Due September 1, 2045

Mandatory Redemption Date	Principal Amount
2042	$ 475,000
2043	475,000
2044	475,000
2045 (maturity)	470,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2026, prior to their scheduled maturities, in whole or in part, in integral multiples of $5,000, on September 1, 2025, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At bond elections held within the District, voters of the District have authorized the issuance of $192,090,000 principal amount of unlimited tax bonds for constructing or acquiring water, sewer and drainage facilities and refunding purposes, $70,240,000 principal amount of unlimited tax bonds for parks and recreational facilities and refunding purposes and $58,465,000 principal amount of unlimited tax bonds for constructing roads and related improvements and refunding purposes. See "THE BONDS—Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order of the TCEQ, and the Bond Resolution.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bonds. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. 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.

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. See "THE DISTRICT—General." The District's voters have authorized the issuance of $192,090,000 principal amount of bonds for the purpose of constructing, acquiring or refunding a water, wastewater and storm drainage system, $70,240,000 principal amount of bonds for parks and recreational facilities or refundings and $58,465,000 principal amount of bonds for roads and related improvements or refundings. The District currently has $183,965,000 principal amount of bonds authorized but unissued for water, wastewater and drainage facilities and refundings, all principal amount of bonds authorized but unissued for parks and recreation and refundings, and $54,715,000 principal amount of bonds authorized but unissued for roads and related improvements and refundings. After the issuance of the Bonds, the District will have $172,100,000 principal amount of bonds for water, wastewater and drainage facilities authorized but unissued. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

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. The District does not have a strategic partnership agreement with the City at this time.

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.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a 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. 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 might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners now or hereafter of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, 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 the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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.

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

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by BGE, Inc., the District's engineer (the "Engineer"). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and certain agreed upon procedures are completed by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

I.	**CONSTRUCTION COSTS**		
	Water Distribution, Wastewater Collection and Storm Drainage Related Facilities		
	• Elyson, Section Six	$	567,597
	• Elyson, Section Ten		355,081
	• Elyson, Section Eleven		447,917
	• Elyson, Section Thirteen		306,783
	• Elyson, Section Fourteen		363,538
	• Elyson, Section Fifteen		559,486
	• Elyson, Section Sixteen		509,461
	• Elyson, Section Seventeen		1,032,411
	• Elyson, Section Eighteen		758,865
	• Elyson, Section Nineteen		434,081
	• Elyson, Section Twenty		310,520
	• Elyson, Section Twenty-Two		458,875
	• Elyson, Section Twenty-Five		114,440
	• Elyson Falls Drive, Section One		537,472
	• Elyson Falls Drive, Section Three		492,209
	• Storm Water Pollution Prevention		371,194
	• Engineering, Surveying & Testing		1,624,551
	Total Construction Costs	**$**	**9,244,481**
II.	**NON-CONSTRUCTION COSTS**		
	• Bond Discount (a)	$	353,498
	• Capitalized Bond Interest (a)		278,194
	• Developer Interest (Estimated)		1,133,433
	Total Non-Construction Costs	**$**	**1,765,125**
III.	**ISSUANCE COSTS AND FEES**		
	• Issuance Costs and Professional Fees	$	535,710
	• Bond Application Report		50,000
	• State Regulatory Fees		39,163
	• Contingency (a)		22,522
	Total Issuance Costs and Fees	**$**	**647,394**
	TOTAL BOND ISSUE	**$**	**11,657,000**

(a) Contingency represents the difference in the estimated and actual amount of capitalized interest and bond discount.

ELYSON

The District is one of six municipal utility districts, collectively comprising the approximately 3,586 acres marketed as the master-planned community of Elyson, which is planned to encompass all such acres at full development. Recreational amenities within Elyson include a 6,500 square foot welcome center that includes a pool, a fitness center, game room and a full-service café. Park and open spaces are or are planned to be connected by a master trail system.

THE DISTRICT

General

The District is a municipal utility district created by order of the TCEQ on December 21, 2006. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 and Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code and Chapter 8439 of the Texas Special District Local Laws Code.

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; to collect, transport, and treat wastewater; to control and divert storm water; to provide parks and recreational facilities and to construct certain roads within its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, purchase, construct, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the TCEQ and the voters of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation of the District from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which (1) limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, roads and recreational facilities, (2) require approval by the City of Houston of District construction plans, and (3) permit connections only to single-family lots and commercial or multi-family/commercial platted reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

Description and Location

The District consists of approximately 1,090 acres of land. The District is located in Harris County approximately 35 miles west of the central downtown business district of the City of Houston. The District lies wholly within the extraterritorial jurisdiction of the City of Houston and within the boundaries of Katy Independent School District. Access to the District is provided by the Grand Parkway (Texas State Highway 99). Main Thoroughfares to the community include Farm-to-Market 529, Peek Road, Porter Road, and Beckendorff Road with the main entrance to Elyson on Farm-to-Market 529. See “AERIAL LOCATION MAP.”

Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

Single-Family Residential	Approximate Acres	Number of Lots
Section Two (Model Homes)	10	31
Section Three	20	65
Section Four	18	59
Section Five	20	91
Section Six	22	84
Section Seven	15	38
Section Eight	18	65
Section Nine	40	78
Section Ten	33	64
Section Eleven	24	71
Section Twelve	26	73
Section Thirteen	14	42
Section Fourteen	14	62
Section Fifteen	17	59
Section Sixteen	19	63
Section Seventeen	29	52
Section Eighteen	18	97
Section Nineteen	16	65
Section Twenty	27	48
Section Twenty-One (a)	24	82
Section Twenty-Two	14	64
Section Twenty-Three (a)	10	20
Section Twenty-Four	36	103
Section Twenty-Five	5	26
Section Twenty-Six (b)	22	84
Section Twenty-Seven (b)	20	96
Section Twenty-Eight (b)	13	38
Section Twenty-Nine (b)	11	54
Subtotal	555	1,774
Future Development	39	-
Commercial Tracts (c)	29	-
School Site	13	-
Recreation/Open Space	16	-
Non-Developable (d)	438	-
Total	1,090	1,774

(a) Utility construction is underway with an expected completion date in the third quarter of 2020.
(b) Utility construction is underway with an expected completion date in the fourth quarter of 2020.
(c) See "Status of Development—Commercial/Non-Residential."
(d) Includes public rights-of-way, detention, open spaces, easements, and utility sites.

Status of Development

Single Family Residential: Development within the District currently includes 1,400 single-family residential lots on approximately 455 acres. According to the Developer, new homes constructed within the District have a sales price ranging from approximately $225,000 to over $550,000 (including the lot). As of August 15, 2020, approximately 981 homes were complete (974 occupied), 132 homes were under construction or continue to be owned by a builder and 287 developed lots were available for home construction. In addition, 374 single-family residential lots on approximately 100 acres are under construction with utilities with expected completion by the fourth quarter of 2020. The estimated population in the District is 3,409, based upon 3.5 persons per occupied single-family residence. See "THE DEVELOPER—Homebuilding" for information on lot sales contracts with the builders.

Recreational amenities within the Service Area include a 6,500 square foot welcome center that includes a pool, a fitness center, a game room and a full-service café. Park and open space within the Service Area are or are planned to be connected by a master trail system.

Commercial/Non-Residential: A Kiddie Academy day care center on approximately 2 acres, a Timewise gas station on approximately 6 acres and a shopping center on approximately 6 acres have been constructed and are operational within the District. The remaining 15 acres of commercial reserves are served with trunk facilities but require additional utility construction before vertical improvements can occur. A new elementary school has been completed by Katy Independent School District and is open for the 2020-2021 school year.

Future Development

Approximately 39 developable acres of land in the District are not yet fully served with water, wastewater, drainage and recreational facilities and roads necessary for the construction of taxable improvements, which excludes approximately 100 acres where utility construction and/or paving is underway for 374 lots. While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds ($297,055,000) should be sufficient to finance the construction of water, wastewater and drainage facilities, roads, and recreational facilities. See "THE BONDS—Issuance of Additional Debt," "THE ROAD SYSTEM," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS—Future Debt."

MANAGEMENT OF THE DISTRICT

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 four-year terms and elections are held in May in even numbered years only. One of the members of the Board resides or owns property in the District; however, all of the remaining members own land within the District, subject to a note and deed of trust in favor of the Developer. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	District BoardTitle	Term Expires
Linda Gaskill	President	May 2024
Jim Robinson	Vice President	May 2024
Jack Flores	Secretary	May 2024
Megan Crutcher	Asst. Secretary	May 2022
Caleb Burson	Asst. Secretary/Asst. Vice President	May 2022

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's Bonds. The fees of the attorneys in their capacity as Bond Counsel are payable from proceeds of the sale of the Bonds and contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of December 31, 2019, and for the year then ended, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2019 financial statements.

Engineer: The District's consulting engineer is BGE, Inc.

Bookkeeper: The District has contracted with F. Matuska, Inc. for bookkeeping services (the "Bookkeeper").

Utility System Operator: The operator of the District's internal water and wastewater system is Si Environmental, LLC. Si Environmental, LLC also serves as the operator of the Master District's water supply and wastewater treatment system. See "THE SYSTEM."

Tax Appraisal: The Harris County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "INVESTMENT CONSIDERATIONS."

NASH FM 529, LLC

The Developer of the acreage located within Elyson, including the acreage in the District, is NASH FM 529, LLC, a Delaware limited liability company (the "Developer"). The Developer was created for the sole purpose of developing the 3,586 acres comprising Elyson. Its only substantial asset consists of land in Elyson.

The owners of NASH FM 529, LLC, through various wholly owned subsidiaries, are North America Sekisui House, LLC ("NASH"), a Delaware limited liability company with 95% of the ownership and American Newland Communities II, LP ("Newland") with 5% of the ownership.

North America Sekisui House, LLC is a wholly owned subsidiary of Japan's SEKISUI HOUSE, Ltd. SEKISUI HOUSE, Ltd. is a publicly traded company located in Osaka, Japan. Founded in 1960, SEKISUI HOUSE has been actively expanding its international operations and in 2010 established North America SEKISUI HOUSE, LLC (NASH) to control and manage the company's joint ventures in the United States. NASH's portfolio consists of over 30 active suburban master-planned communities and 20 urban-infill and transit-oriented developments. For more information, please visit their website at www.sekisuihouse.co.jp/english and www.nashcommunities.com. Unless otherwise specified, information contained on NASH's web site, available by hyperlink from NASH's web site or on the SEC's web site, is not incorporated into this OFFICIAL STATEMENT. The District has not obtained any representations from NASH concerning their publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Development of the District is being managed by Newland. The principals, officers and managers of Newland have provided planning, development and management as owners, joint venture partners and/or managers for multi-purpose residential and commercial projects in the United States and Canada for more than thirty-three years.

Neither the Developer nor any affiliated company is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor any affiliated company has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds. See "INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers and the Developer."

Homebuilding

The Developer has entered into lot sales contracts with all of the builders shown below. Pursuant to such lot sales agreements, each builder is required to make a 5% earnest money deposit and is subject to lot takedown requirements ranging from five to fifteen lots per quarter. According to the Developer, all of the homebuilders are actively marketing and selling homes in completed sections for which they have lots sales contract. Homebuilders in the District contract directly with the Developer and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

Homebuilders in the District include Darling Homes, Taylor Morrison, Perry Homes, Pulte Homes, Highland Homes, Chesmar Homes, Westin Homes, Lennar Homes and Drees Custom Homes.

THE SYSTEM

The Master District Contract

The Master District provides certain regional water, sanitary sewer, storm sewer, parks, roads and other facilities (collectively, the "Master District Facilities") necessary to serve the Master District's 3,586 acre service area (the "Service Area"), including the District. The Master District's Service Area includes the following municipal utility districts: MUD 171, the District, Harris County Municipal Utility District No. 458 ("MUD 458"), Harris County Municipal Utility District No. 532 ("MUD 532"), Harris County Municipal Utility District No. 533 ("MUD 533"), and Harris County Municipal Utility District No. 534 ("MUD 534"). Each of MUD 171, the District, and MUD 458 has executed a Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Facilities, as amended (individually referred to as the "Master District Contract" and collectively referred to as the "Master District Contracts") and are referred to herein as the "Participants." MUD 532, MUD 533, and MUD 534 are within the Service Area, but are undeveloped and have not entered into a Master District Contract but may do so in the future.

The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Master District's Contract Revenue Bonds based upon each Participants' certified appraised value as a percentage of the certified appraised value of all the Participants, calculated annually. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of annual ad valorem Contract Tax without legal limit as to rate or amount, or from any other legally available funds. The Contract Payments for each Participant shall be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Contract Revenue Bonds the principal, interest and redemption requirements of the Contract Revenue Bonds and all amounts required to establish and maintain funds established under the applicable bond resolution or indenture of trust. Each Participant's Contract Payments will be calculated annually by the Master District; however, the levy of a Contract Tax or the provisions of other funds to make its Contract Payments is the sole responsibility of each Participant.

The Master District Contracts also provide for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions. The Master District owns and operates the Master District Facilities, except for roadways that are accepted by Harris County, for operation and maintenance by the Harris County. Each Participant (including the District) will own and operate its internal facilities. The internal facilities are expected to be financed with unlimited tax bonds sold by each of the Participants, including the District. It is anticipated that the Master District Facilities will be constructed in stages to meet the needs of the Service Area. In the event that the Master District fails to meet its obligations to provide Master District Water/Sewer/Drainage Facilities as required by the Service Area, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Water/Sewer/Drainage Facilities needed to provide it with service, and convey such Master District Water/Sewer/Drainage Facilities to the Master District in consideration of payment by the Master District of the actual and reasonable necessary capital costs expended by it for such Master District Water/Sewer/Drainage Facilities. Each Participant is further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contracts. The monthly charges to be paid by each Participant to the Master District will be used to pay its share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each

Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to it on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to Participant is currently $50.00. Pursuant to the Master District Contracts each Participant is obligated to establish and maintain rates, fees and charges for its water and wastewater services which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay operation and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility system, and to pay its obligations pursuant to the Master District Contract, including its Contract Payments. The Master District does not expect that revenues from Participant's wastewater collection and water distribution systems will ever be sufficient to pay a significant portion of contract payments for application to debt service on the Contract Revenue Bonds. All sums payable by each Participant to the Master District pursuant to the Master District Contracts are to be paid by such Participants without set off, counterclaim, abatement, suspension or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contracts provide that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contracts. As a practical matter, the Participants have no alternative provider of the water and wastewater services rendered by the Master District under the Master District Contracts.

Master District Facilities

Water Supply: The water supply facilities of the Master District currently consist of two water wells with a total capacity of 1,700 gallons per minute (gpm), 550,000 gallons of ground storage tank capacity, pressure tank capacity of 30,000 gallons, booster pump capacity of 4,900 gpm, and all appurtenances. According to the Engineer, the major components of the Master District's water supply system have capacity to serve approximately 1,500 equivalent single-family connections. According to the Operator, as of August 2020, the Participants currently have 1,119 active connections (including 974 occupied single-family connections, 7 vacant single-family connections, 132 builder connections and 6 commercial connections, all within the District).

In order to fully provide water supply to the Service Area, the Master District Facilities will need to be expanded from time to time to meet the demand for such facilities.

Wastewater Treatment: The wastewater treatment facilities of the Master District consist of one plant with a total capacity of 500,000 gallons per day ("gpd"). According to the Engineer, the major components of the Master District's wastewater treatment system have capacity to serve approximately 1,667 equivalent single-family connections. According to the Operator, as of August 2020, the Participants currently have 1,119 active connections (including 974 occupied single-family connections, 7 vacant single-family connections, 132 builder connections and 6 commercial connections, all within the District).

Regional Water Distribution and Wastewater Collection: Regional water distribution facilities consist of waterlines ranging in size from 12-inch to 30-inch, generally located within the rights-of-way. These water distribution facilities supply water from the Master water supply facilities to the Participant's facilities. The wastewater collection facilities include wastewater lines ranging in size from 10-inch to 30-inch generally located within the rights-of-way of collection roads and the previously listed major thoroughfares. These collection lines collect waste from the Participants and transport it to the Master District's wastewater treatment facilities.

Regional Road System: See "THE ROAD SYSTEM."

Master Drainage: The Master District also provides the Service Area with drainage facilities designed to handle a 100-year storm event. These facilities include drainage channels, detention ponds, water quality ponds, conveyance storm sewer, and reinforced outfalls.

Master Park Facilities: The Master District provides or will provide an interconnected grade separated trail system connecting community parks and recreation facilities. This system extends along and utilizes the drainage corridors as linear parks connecting multiple neighborhood parks. Pursuant to the Master District Contracts, the Master District shall not issue Contract Revenue Bonds for park or recreational facilities. The Master District may, however, require Participants, including the District, to remit Park Construction Charges (as defined in the Master District Contract).

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Internal water distribution, wastewater collection and storm drainage facilities have been constructed by the District to serve 1,400 single-family residential lots within its boundaries. Additionally, utility construction for 374 single-family residential lots in the District is underway with an expected completion date in 2020. See "THE DISTRICT—Status of Development."

Flood Protection and Drainage

A portion of the District lies within the Bear Creek and South Mayde Creek watersheds within the Addicks Reservoir Watershed. The District is located within floodplains associated with Bear Creek, South Mayde Creek, and the Cypress Creek overflow zone. The majority of such areas are subject to shallow overland flows, which are collected into channels within the development. The floodplains associated with Bear Creek and South Mayde Creek are allowed to maintain their natural floodplain function.

The Master District developed a master drainage plan that received approval from the Harris County Flood Control District. The Master District has also received approval of its master drainage plan applications submitted to Harris County and Federal Emergency Management Agency. As development occurs within the Service Area, the master drainage plan removes the developed lots from the 100-year flood plain by filling the development areas, with the flood plain fill mitigated by excavation from other areas within the flood plain that will remain undeveloped. According to the Engineer, none of the currently developed lots, all of which are located within the District, are in the 100-year flood plain as a result of the aforementioned process. The flood plain removal is accomplished by submittal of detailed survey information provided to FEMA through a process called a Letter of Map Revisions Based on Fill ("LOMR-F") based on lot elevation. However, during times of severe flooding, area roads can become inundated, which may restrict access into, within, and out of the District. According to the Engineer, approximately 2,557 acres of the Service Area remain within the 100-year flood plain but will be filled and removed as development warrants. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey."

Subsidence and Conversion to Surface Water Supply

The Master District and the District are within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The Master District and the District are located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. 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 District has no wells, however, the Master District's groundwater well(s) are included within the Authority's GRP.

The Master District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the Master District for groundwater pumped by the Master District and rates for the sale of surface water purchased by the Master District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the Master District, to convert from groundwater to surface water. The Authority currently charges the Master District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the Master District and a rate per 1,000 gallons of surface water purchased by the Master District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons, ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the Master District. If the Master District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the Master 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 pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the Master District Facilities which could require the issuance of additional bonds by the District or the Master 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.

Regulation

Construction and operation of the District's facilities and the Master District Facilities as they now exist or as they may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District and the Master District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Drainage District. Harris County and the City of Houston also exercise regulatory jurisdiction over the District and the Master District Facilities.

According to the Engineer, the District's improvements that will be financed with proceeds of the Bonds and future bond issuances, have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the TCEQ, the Texas Department of Health, Harris County and the City of Houston, where applicable. Construction of the District's facilities is subject to inspection by the TCEQ, the City of Houston and Harris County. Each of the aforementioned agencies exercises continuing jurisdiction over the District's and Master District's facilities.

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Water and Wastewater Operations

The Bonds and the Outstanding Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Nevertheless, net revenues from operations of the District's water and wastewater system, if any, are available for any legal purpose, including the payment of debt service on the Bonds, upon Board action. However, it is not anticipated that net revenues will be used or would be sufficient to pay debt service on the Bonds.

The following statement sets forth, in condensed form, the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended December 31, 2016 through 2019 and an unaudited summary for the period ended July 31, 2020 as provided by the District's bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	UNAUDITED 1/1/2020 to 7/31/2020	Fiscal Years Ended December 31 2019	2018	2017	2016
Revenues:					
Property Taxes	$ 846,187	$ 670,260	$ 901,654	$ 392,324	$ 50,846
Water and Sewer Service	368,039	428,947	242,363	110,677	7,053
Penalty and Interest	1,187	10,632	4,495	3,202	332
Tap Connection and Sewer Inspection	266,082	623,496	396,565	263,880	138,385
Regional Water Authority	257,969	350,892	150,167	82,601	7,193
Investment Revenues	7,084	21,214	10,651	474	34
Other	2,592	544,697	74,793	160	130
Total Revenue	$ 1,749,140	$ 2,650,138	$ 1,780,688	$ 853,318	$ 203,973
Expenditures:					
Professional Fees	$ 98,869	$ 181,041	$ 148,331	$ 154,017	$ 93,066
Purchased or Contracted Services	746,465	862,884	632,922	172,542	9,799
Regional Water Fee	205,713	355,142	154,632	45,142	-
Tap Connection	186,339	284,292	167,248	111,753	58,150
Repairs and Maintenance	88,972	225,661	190,044	95,922	21,032
Capital Outlay	-	-	-	175,000	-
Other	36,275	52,057	44,373	36,697	19,626
Total Expenditures	$ 1,362,631	$ 1,961,077	$ 1,337,550	$ 791,073	$ 201,673
NET REVENUES	$ 386,509	$ 689,061	$ 443,138	$ 62,245	$ 2,300
Other Financing Sources	$ -	$ 31,101 (a)	$ 16,636 (b)	$ 225,000 (c)	$ 100,000 (c)
General Operating Fund Balance (Beginning of Year)	$ 1,573,760	$ 853,598	$ 393,824	$ 106,579	$ 4,279
General Operating Fund Balance (End of Year)	$ 1,960,269	$ 1,573,760	$ 853,598	$ 393,824	$ 106,579

(a) Recovery from governmental agency.
(b) Interfund transfer.
(c) Developer advance.

THE ROAD SYSTEM

The Master District, in its capacity as the provider of facilities for regional arterial, collector and thoroughfares and improvements in aid thereof ("Master District Road Facilities") necessary to serve the Service Area has constructed or will construct the Master District Road Facilities. The major arterial, collector and thoroughfare roads necessary to serve the Service Area, include but are not limited to: FM529, Beckendorff Road, Peek Road and Porter Road. The major thoroughfares and collectors consist of stabilized curb and gutter 8-inch concrete pavement and includes bridges.

All roadways are designed and constructed in accordance with Harris County and City of Houston standards, rules and regulations. To date, Harris County has accepted the completed Master District Road Facilities for operation and maintenance and is responsible for operation and maintenance thereof. In the event Harris County were to fail to accept the Master District Road Facilities, the Master District is expected to include the cost of maintenance of same in the Master District's operation and maintenance expenses to be shared by the Participants in accordance with the Master District Contract, and such cost could be significant. These roads lie within the public right-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 streetlights, sidewalks and franchise utilities (power, gas, telephone and cable).

In addition to the Master District Road Facilities, internal roadways have been or are being constructed by the Participants, including the District. The internal roadways constructed by the District are designed and constructed in accordance with Harris County and City of Houston standards, rules and regulations. To date, Harris County has accepted the District's completed road facilities for operation and maintenance and is responsible for operation and maintenance thereof. In the event that Harris County were to fail to accept the District's road facilities, the District is expected to include the cost of maintenance of same in the District's operation and maintenance expenses, and such cost could be significant. These roads lie within the public right-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 streetlights, sidewalks and franchise utilities (power, gas, telephone and cable).

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FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Taxable Assessed Valuation	$319,807,484	(a)
Estimated Taxable Assessed Valuation as of July 15, 2020	$381,726,961	(b)
Gross Direct Debt Outstanding	$ 23,250,000	(c)
Estimated Overlapping Debt	55,878,533	(d)
Gross Direct Debt and Estimated Overlapping Debt	$ 79,128,533	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	7.27%	
Estimated Taxable Assessed Valuation as of July 15, 2020	6.09%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	24.74%	
Estimated Taxable Assessed Valuation as of July 15, 2020	20.73%	
Debt Service Funds Available as of September 14, 2020:		
Water, Sewer and Drainage Debt Service Funds	$288,595	(e)
Capitalized Interest from Bond Proceeds (Twelve Months)	278,194	(e, f)
Road Debt Service Funds	72,132	(e)
Total Debt Service Funds Available	$638,921	
Operating Funds Available as of September 14, 2020	$1,433,965	
Water, Sewer & Drainage Capital Projects Funds Available September 14, 2020	$ 545,400	
Road Capital Projects Funds Available September 14, 2020	$ 5,182	

(a) The Harris County Appraisal District ("Appraisal District") has certified $295,634,929 of taxable value and an additional $24,172,555 of taxable value remains uncertified. According to the Appraisal District, the uncertified value represents the landowner's opinion of the taxable value; however, such value could be subject to downward revision. No tax will be levied on the uncertified value until it is certified. The 2020 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) The Estimated Taxable Assessed Valuation has been provided by the Appraisal District as of July 15, 2020. No tax will be levied on such amount until it is certified by the Appraisal District.

(c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) 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 the Bonds and the Outstanding Water, Sewer and Drainage Bonds and a pro rata portion will be allocated to the Outstanding Road Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Water, Sewer and Drainage Debt Service Fund is not pledged to the Outstanding Road Bonds nor will funds deposited into the Road Debt Service Fund be pledged to the Bonds. The Water, Sewer and Drainage debt service fund balance above includes capitalized interest form the Series 2019 Bonds. See "THE SYSTEM—Master District Contract."

(f) The District will capitalize twelve (12) months of interest on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

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 will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

Outstanding Bonds

The District has previously issued $8,125,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities (the "Outstanding Water, Sewer and Drainage Bonds") in one series and $3,750,000 principal amount of unlimited tax bonds for roads and related improvements (the "Outstanding Road Bonds") in one series, $11,385,000 of which collectively remains outstanding (collectively, the "Outstanding Bonds"). The following table lists the original principal amount of all series of bonds issued by the District and the principal amount of the Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds (as of 9/2/20)
2017 (a)	$ 3,750,000	$ 3,565,000
2019 (b)	8,125,000	7,820,000
Total	$ 11,875,000	$ 11,385,000

(a) Unlimited tax road bonds.
(b) Unlimited tax water, sewer and drainage bonds.

Debt Service Requirements

The following sets forth the actual debt service on the Outstanding Bonds (see above) and the debt service on the Bonds. This schedule does not reflect the fact that twenty-four (24) months of interest was capitalized in September 2019 from proceeds of the Outstanding Water, Sewer, and Drainage Bonds and that twelve (12) months of interest will be capitalized from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Debt Service	Plus: Debt Service on the Bonds			Total Debt Service
		Principal	Interest	Total	
2021	$ 629,137.50	$ 470,000	$ 231,828.13	$ 701,828.13	$ 1,330,965.63
2022	633,087.50	475,000	264,093.75	739,093.75	1,372,181.25
2023	636,962.50	475,000	249,843.75	724,843.75	1,361,806.25
2024	629,212.50	475,000	235,593.75	710,593.75	1,339,806.25
2025	631,237.50	475,000	221,343.75	696,343.75	1,327,581.25
2026	638,287.50	475,000	207,093.75	682,093.75	1,320,381.25
2027	649,987.50	475,000	197,593.75	672,593.75	1,322,581.25
2028	661,025.00	475,000	188,093.75	663,093.75	1,324,118.75
2029	666,437.50	475,000	178,593.75	653,593.75	1,320,031.25
2030	671,312.50	475,000	169,093.75	644,093.75	1,315,406.25
2031	685,637.50	475,000	159,593.75	634,593.75	1,320,231.25
2032	694,118.76	475,000	150,093.75	625,093.75	1,319,212.51
2033	696,531.26	475,000	140,593.75	615,593.75	1,312,125.01
2034	708,143.76	475,000	131,093.75	606,093.75	1,314,237.51
2035	714,043.76	475,000	121,593.75	596,593.75	1,310,637.51
2036	723,531.26	475,000	112,093.75	587,093.75	1,310,625.01
2037	736,806.26	475,000	102,000.00	577,000.00	1,313,806.26
2038	743,700.00	475,000	91,906.25	566,906.25	1,310,606.25
2039	749,800.00	475,000	81,218.75	556,218.75	1,306,018.75
2040	759,650.00	475,000	70,531.25	545,531.25	1,305,181.25
2041	768,550.00	475,000	59,250.00	534,250.00	1,302,800.00
2042	776,500.00	475,000	47,375.00	522,375.00	1,298,875.00
2043	527,900.00	475,000	35,500.00	510,500.00	1,038,400.00
2044	442,900.00	475,000	23,625.00	498,625.00	941,525.00
2045	-	470,000	11,750.00	481,750.00	481,750.00
Total	$ 16,174,500.06	$ 11,865,000.00	$ 3,481,390.63	$ 15,346,390.63	$ 31,520,890.69

Average Annual Debt Service Requirement (2021-2045) $1,260,836
Maximum Annual Debt Service Requirement (2022) $1,372,181

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. 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 the payment of debt service, and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Harris County	$ 1,867,957,125	8/31/2020	0.05%	$ 933,979
Harris County Flood Control District	83,075,000	8/31/2020	0.05%	41,538
Harris County Hospital District	86,050,000	8/31/2020	0.05%	43,025
Harris County Dept. of Education	6,320,000	8/31/2020	0.05%	3,160
Port of Houston Authority	514,174,397	8/31/2020	0.05%	257,087
Katy Independent School District	1,888,706,959	8/31/2020	0.53%	10,010,147
Master District (a)	52,775,000	8/31/2020	84.49%	44,589,598
Total Estimated Overlapping Debt				$ 55,878,533
The District	23,250,000	(b)		23,250,000
Total Direct and Estimated Overlapping Debt				$ 79,128,533

Direct and Estimated Overlapping Debt as a Percentage of:

2020 Taxable Assessed Valuation of $319,807,484 .... 24.74%

Estimated Taxable Assessed Valuation as of July 15, 2020 of $381,726,961 .... 20.73%

(a) Includes $12,000,000 principal amount of Contract Revenue Bonds that the Master District expects to issue in the fourth quarter of 2020.

(b) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Set forth below is a summary of taxes levied for the 2019 tax year by all entities overlapping the District and of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	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	$ 0.61670
Waller-Harris County ESD No. 200 (a)	0.10000
Katy Independent School District	1.38880 (b)
Total Overlapping Tax Rate	$ 2.10550
The District (c)	1.50000
Total Tax Rate	$ 3.60550

(a) Land within the District is either located within Harris County ESD No. 9 or Waller-Harris County ESD No. 200. The higher tax rate of the two ESDs is shown in the table above. For 2019, Harris County ESD No. 9 levied a total tax rate of $0.0598 per $100 assessed valuation.

(b) Reflects the 2020 tax rate.

(c) See "TAX DATA—-Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Historical Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES."

Contract Tax

The Master District has the statutory authority and voter authorization of each of the Participants currently participating in the Master District Contract, including the District, to issue Contract Revenue Bonds. Each of the Participants' pro rata share of the debt service requirements on the Contract Revenue Bonds is determined by dividing each Participant's certified appraised value by the total of all the Participants' certified appraised valuation. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Contract Revenue Bonds from the proceeds of an annual unlimited contract tax, or from any other legally available funds. The debt service requirement includes principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond resolution or indenture pursuant to which the Master District's Contract Revenue Bonds are issued. See "INVESTMENT CONSIDERATIONS—Overlapping Master District Debt and Contract Tax" and "THE SYSTEM—Master District Contract."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District's water, sewer and drainage system and roads, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted November 4, 2014 and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 appraised valuation for utility maintenance and $0.25 for road maintenance. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "Debt Service Tax" above.

Historical Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service Tax	$ 0.380	$ 0.240	$ 0.150	$ -	$ -
Contract Tax	0.810	0.870	0.820	-	-
Maintenance Tax	0.310	0.390	0.530	1.500	1.500
Total District Tax Rate	$ 1.500	$ 1.500	$ 1.500	$ 1.500	$ 1.500

Additional Penalties

The District has contracted with an 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 April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District for the years 2015 through 2019. The 2015 tax year was the District's initial levy. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Collections as of 8/31/2020 (b) Amount	Percent
2015	$ 139,520	$ 1.50	$ 2,093	$ 2,093	100.00%
2016	12,993,413	1.50	194,901	194,901	100.00%
2017	60,221,381	1.50	903,321	903,321	100.00%
2018	126,541,767	1.50	1,898,127	1,898,127	100.00%
2019	220,090,893	1.50	3,301,375	3,279,521	99.34%

(a) As certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for exemptions granted by the District.
(b) Unaudited.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2016 through 2020 Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the Estimated Taxable Assessed Valuation as of July 15, 2020, of $381,726,961 is not available.

Tax Year	Type of Property: Land	Improvements	Personal Property	Gross Assessed Valuations	Deferments (a) and Exemptions	Uncertified Value	Net Assessed Valuations
2016	$ 9,793,090	$ 4,615,295	$ 482,007	$ 14,890,392	$ (1,896,979)	$ -	$ 12,993,413
2017	46,487,636	16,693,201	359,708	63,540,545	(3,319,164)	-	60,221,381
2018	65,811,669	64,902,962	1,058,367	131,772,998	(5,231,231)	-	126,541,767
2019	86,393,425	141,711,089	1,733,615	229,838,129	(9,747,236)	-	220,090,893
2020	85,466,906	220,352,217	1,893,294	307,712,417	(12,077,488)	24,172,555	319,807,484

(a) See "TAXING PROCEDURES—Property Subject to Taxation by the District."

Principal Taxpayers

The following table represents the ten principal taxpayers, and the taxable assessed value of such property as a percentage of the 2020 Taxable Assessed Valuation of $295,634,929. A detailed breakdown of the ownership related to the uncertified portion ($24,172,555) of the 2020 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 15, 2020, of $381,726,961 are not currently available.

	2020 Certified	
Taxpayer	Taxable Assessed Value	% of Taxable Assessed Value
The Developer (a)	$ 7,405,637	2.50%
Lennar Homes of Texas (b)	6,260,440	2.12%
Perry Homes LLC (b)	5,263,455	1.78%
Westin Homes & Properties LP (b)	4,677,573	1.58%
Highland Homes of Houston LLC (b)	4,093,650	1.38%
Navidad Holdings Katy LLC	3,115,704	1.05%
Shops at Elyson LLC	2,580,612	0.87%
Pulte Homes of Texas LP (b)	2,436,442	0.82%
Landmark Industries	2,197,321	0.74%
Darling Homes of Texas LLC (b)	1,172,021	0.40%
Total	$ 39,202,855	13.24%

(a) See "THE DEVELOPER."
(b) See "THE DEVELOPER—Homebuilding."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2020 Taxable Assessed Valuation of $319,807,484 ($295,634,929 certified plus $24,172,555 uncertified) or the Estimated Taxable Assessed Valuation as of July 15, 2020 of $381,726,961. The calculations contained in the following table merely represent the tax rates required to pay principal of 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2021-2045)	$1,260,836
$0.42 Tax Rate on 2020 Taxable Assessed Valuation	$1,276,032
$0.35 Tax Rate on Estimated Taxable Assessed Valuation as July 15, 2020	$1,269,242
Maximum Annual Debt Service Requirement (2022)	$1,372,181
$0.46 Tax Rate on 2020 Taxable Assessed Valuation	$1,397,559
$0.38 Tax Rate on Estimated Taxable Assessed Valuation as of July 15, 2020	$1,378,034

No representation or suggestion is made that the uncertified portion of the 2020 Taxable Assessed Valuation will not be adjusted downward prior to certification or that the estimated values of land and improvements provided by the Appraisal District for the District as of July 15, 2020 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 "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $3,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential 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 the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

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

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. 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, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more 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 an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

The Effect of FIRREA on Tax Collections of the District

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

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

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, the Master District, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the Bonds of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" below.

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). The Governor has issued successive renewals of the State of disaster declarations, and such declaration is still in effect. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values and homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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 25, 2017, and brought historic levels of rainfall during the successive four days.

According to Operator, Engineer and Developer, the water, wastewater and drainage system serving the District did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to Si Environmental LLC (the "Operator"), BGE, Inc. (the "Engineer") and the Developer, no homes 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 in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See "THE SYSTEM—Flood Protection and Drainage."

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.

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties. Such regulations could additionally result in higher insurance rates, increased development fees and stricter building codes for any property located within the expanded boundaries of the floodplain. See "THE SYSTEM—Flood Protection and Drainage."

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could impact such values.

Competition

The demand for and construction of single-family homes in the District, which is 35 miles from downtown Houston, could be affected by competition from other residential developments including other residential developments located in the western portion of the Houston metropolitan area along the Grand Parkway (Texas State Highway 99). In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

Possible Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Taxable Assessed Valuation is $319,807,484 ($295,634,929 certified plus $24,172,555 uncertified). After issuance of the Bonds, the maximum debt service requirement will be $1,372,181 (2022), and the average annual debt service requirement will be $1,260,836 (2021-2045 inclusive). Assuming no increase or decrease from the 2020 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.46 and $0.42 per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

The Estimated Taxable Assessed Valuation as of July 15, 2020 is $381,726,961, which reduces the above calculations to $0.38 and $0.35 per $100 assessed valuation to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. Property within the District also is subject to taxes levied by other political subdivisions. See “TAX DATA—Tax Adequacy for Debt Service.”

No representation or suggestion is made that the uncertified portion of the 2020 Taxable Assessed Valuation will not be adjusted downward prior to certification or that the estimated values of land and improvements provided by the Appraisal District for the District as of July 15, 2020, 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 “TAXING PROCEDURES.”

Overlapping Master District Debt and Contract Tax

Harris County Municipal Utility District No. 171 (the “Master District,” or “MUD 171”) is a political subdivision of the State of Texas, created by an order of the Texas Water Commission (predecessor to the TCEQ) on October 16, 1978, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The Master District also serves as a provider of regional water, wastewater, drainage, park/recreational and road facilities to the approximate 3,586 acre service area (the “Service Area”), which includes the following municipal utility districts: MUD 171, the District, Harris County Municipal Utility District No. 458 (“MUD 458”), Harris County Municipal Utility District No. 532 (“MUD 532”), Harris County Municipal Utility District No. 533 (“MUD 533”), and Harris County Municipal Utility District No. 534 (“MUD 534”). Each of MUD 171, the District, and MUD 458 has executed a Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Facilities, as amended (individually referred to as the “Master District Contract” and collectively referred to as the “Master District Contracts”) and are referred to herein as the “Participants.” MUD 532, MUD 533, and MUD 534 are within the Service Area, but are undeveloped and have not entered into a Master District Contract but may do so in the future. See “THE SYSTEM—Master District Contract.”

The Master District has issued contract revenue bonds for the purpose of purchasing or acquiring regional water, sanitary sewer, and drainage facilities ("Water/Sewer/Drainage Contract Revenue Bonds") in the principal amount of $33,835,000, all of which remains outstanding. The Master District expects to issue additional Water/Sewer/Drainage Contract Revenue Bonds in the future, including $12,000,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds in the fourth quarter of 2020. In addition, the Master District has issued contract revenue bonds for the purpose of constructing or acquiring roads and related improvements ("Road Contract Revenue Bonds") in the principal amount of $6,980,000, $6,920,000 of which remains outstanding and expects to issue additional Road Contract Revenue Bonds in the future. All issuances of contract revenue bonds are pursuant to an indenture of trust. The Master District Contracts obligate each Participant to pay a pro rata share of the debt service on the Water/Sewer/Drainage Contract Revenue Bonds and the Road Contract Revenue Bonds based upon the Certified Appraised Value of each Participant as a percentage of the Certified Appraised Value of all Participants, calculated annually. Each Participant is obligated to make such payments ("Water/Sewer/Drainage Contract Payments" and "Road Contract Payments," respectively) from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied by such Participant for such purpose on taxable property within its boundaries ("Water/Sewer/Drainage Contract Tax" and "Road Contract Tax," respectively), or from any other lawful source of such Participant's income. The debt service requirement includes principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the bond resolution or indenture pursuant to which the Master District's contract revenue bonds are issued.

The Water/Sewer/Drainage Contract Tax and the Road Contract Tax are referred to herein collectively as the "Contract Tax;" the Road Contract Revenue Bonds and Water/Sewer/Drainage Contract Revenue Bonds are referred to herein collectively as the "Contract Revenue Bonds;" and the Road Contract Payment and Water/Sewer/Drainage Contract Payment are referred to herein collectively as the "Contract Payment." Pursuant to the Master District Contracts, the Master District shall not issue Contract Revenue Bonds for park or recreational facilities. The Master District may, however, require Participants to remit Park Construction Charges (as defined in the Master District Contract).

The Contract Tax is in addition to the direct total tax rate of the District. The District levied a $1.50 total tax rate in 2019, including an $0.87 Contract Tax. The District cannot represent whether any of the development planned or occurring in the Service Area will be successful or whether the appraised valuation of the land located within the Service Area will justify payment of the Contract Tax by property owners. Increases in the Contract Tax rate could have an adverse impact upon future development and home sales within the District and in the willingness of owners of property located within the District to pay ad valorem taxes levied the District, including the Contract Tax.

The Contract Tax rate and debt service tax rate that may be required to service debt on any bonds issued by the District or the Master District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each, regulatory approvals, construction costs and interest rates. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Harris County area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. A combined tax rate of $1.50 per $100 of taxable assessed valuation for the District is higher than the tax rate of many utility districts in the Houston metropolitan area, although such a combined rate is within the range of tax rates imposed for similar purposes by many utility districts in the Houston metropolitan area in stages of development comparable with the District.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Harris County limit the projected combined total tax rate of entities levying a tax for water, sewer, drainage, roads and recreational facilities to $1.50 per $100 of taxable assessed valuation. In the case of the District, the total combined tax rate under current TCEQ rules includes the tax rate of the District, which includes the Contract Tax. The current combined tax rate of the District is consistent with the rules of the TCEQ. If the total combined tax rate of the District, including the Contract Tax, should ever exceed $1.50 per $100 of taxable assessed valuation, the District and the Master District could be prohibited under rules of the TCEQ from selling additional bonds which require the prior approval of TCEQ. See "Possible Impact on District Tax Rates" above and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (Unaudited)—Estimated Overlapping Debt" and "—Overlapping Taxes."

Undeveloped Acreage and Vacant Lots

There are approximately 139 developable acres of land within the District that have not been provided with water, wastewater, drainage, road and other facilities necessary for the construction of taxable improvements (including approximately 100 acres where utility construction is partially complete for 374 lots). In addition, as of August 15, 2020, 287 developed lots remain vacant. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See "THE DISTRICT—Land Use," and "—Status of Development."

Developer Obligation to the District

There are no commitments from or obligations of the Developer or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property. See "THE DEVELOPER."

Dependence on Major Taxpayers and the Developer

The ten principal taxpayers represent $39,202,855 or 13.24% of the 2020 Certified Taxable Assessed Valuation ($295,634,929), which represents ownership as of January 1, 2020. The Developer represents $7,405,637 or 2.50% of such value. Principal taxpayers lists related to the uncertified portion of the 2020 Taxable Assessed Valuation of $24,172,555 or the Estimate Taxable Assessed Valuation as of July 15, 2020, of $381,726,961 are not available. If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the debt service fund (see "THE BONDS—Source of Payment"), the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its debt service funds. See "Tax Collections Limitations and Foreclosure Remedies" in this section and "TAXING PROCEDURES—Levy and Collection of Taxes."

The Developer has informed the Board that its current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots in the District to homebuilders. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See "THE DEVELOPER."

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

In 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 the 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, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, 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 Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The 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 "TAXING 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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a 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 a 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 is (1) 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.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its 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.

A district may not be forced into involuntary bankruptcy.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $192,090,000 principal amount of unlimited tax bonds for constructing or acquiring water, sewer and drainage facilities and refunding such bonds, $70,240,000 principal amount of unlimited tax bonds for constructing or acquiring parks and recreational facilities and refunding such bonds, and $58,465,000 principal amount of unlimited tax bonds for constructing road facilities and related improvements and refunding such bonds has been authorized by voters in the District. The District currently has $54,715,000 principal amount of bonds authorized for constructing or acquiring road facilities and refunding such bonds and the entire principal amount of bonds authorized for parks and recreational facilities authorized but unissued. After the issuance of the Bonds, $172,100,000 principal amount of unlimited tax bonds authorized for water, sewer and drainage facilities and refunding such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. Such bonds may finance facilities which are not necessarily related to increased taxable values in the District.

To date, the Developer has advanced certain funds for construction of water, sewer and drainage facilities and roads and related improvements for which it has not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately $6,935,000 to the Developer for water, wastewater and drainage facilities and $6,225,000 for roads and related improvements constructed on the District's behalf. In addition, the District expects to sell park bonds to pay its pro rata share of Master District park facilities. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's taxable assessed valuation. The District intends to issue additional bonds in order to reimburse the Developer for monies currently owed and to develop the remainder of undeveloped but developable land in the District (approximately 139 acres, including approximately 100 acres where utility construction is underway). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds to finance water, wastewater, drainage and recreational facilities (but not roads) is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "THE BONDS—Issuance of Additional Debt."

Marketability of the Bonds

The District has no understanding with the Underwriter 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 more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter (as defined herein) has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. ("AGM") 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 and "A2" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE."

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (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" and "MUNICIPAL BOND INSURANCE."

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 Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "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 Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "THE DISTRICT—General," "THE SYSTEM—The Master District Contract," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the Master District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the Master District from that set forth or contemplated in the Preliminary Official Statement, as amended or supplemented through the date of sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.)

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

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

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook, respectively, 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 Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's or S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating 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, Assured Guaranty Municipal Corp. ("AGM") 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately $2,667 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

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

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

Miscellaneous Matters

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

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 Developer, the Engineer, the Tax Assessor/Collector, the Bookkeeper, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District 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. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as 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. Each consultant has agreed to the use of information provided by such firms.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's and Master District's water and wastewater system and certain information included in the sections entitled "THE DISTRICT—Description and Location" and "—Status of Development," "THE SYSTEM," and "THE ROAD SYSTEM" has been provided by BGE, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of December 31, 2019, and for the year then ended, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2019 financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by F. Matuska, Inc. is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If subsequent to the date of the OFFICIAL STATEMENT, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, 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. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has 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 certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT", except for Estimated Overlapping Debt, "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2020. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principals or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 17 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 a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal 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 registered or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

Since the issuance of its first series of bonds in 2017, the District has complied in all material respects with all continuing disclosure agreements made by the District 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.

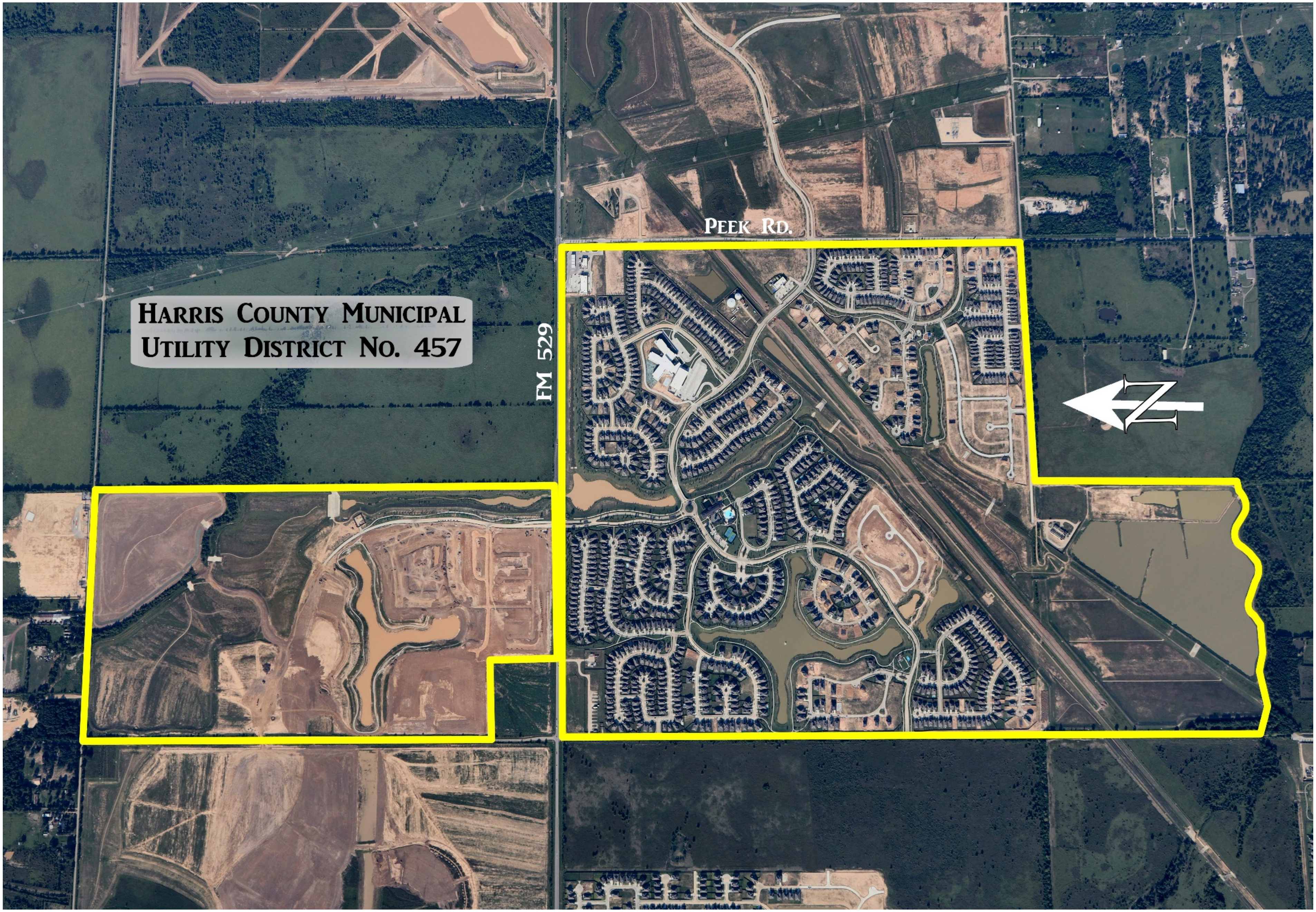
This OFFICIAL STATEMENT was approved by the Board of Directors of Harris County Municipal Utility District No. 457, as of the date shown on the cover page.

/s/ Linda Gaskill
President, Board of Directors
Harris County Municipal Utility District No. 457

ATTEST:

/s/ Jack Flores
Secretary, Board of Directors
Harris County Municipal Utility District No. 457

AERIAL LOCATION MAP
(JULY 2020)


Harris County Municipal
Utility District No. 457
Peek Rd.
FM 529
N

PHOTOGRAPHS OF THE DISTRICT
(JULY 2020)


ELYSON


PERRY
HOMES
SOLD


SOLD


SOLD
Drees
HOMES
dreeshomes.com


KIDDIE ACADEMY


Exxon


COMING SOON
MARCO'S PIZZA
Cunningham
Cleaners
ELYSON
FAMILY DENTAL

APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the Year Ended December 31, 2019

Harris County Municipal Utility District No. 457

Harris County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2019

BKD

CPAs & Advisors

Harris County Municipal Utility District No. 457
December 31, 2019

Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 457
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 457 (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 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 financial statements are free from 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 policies 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 and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
May 5, 2020

Harris County Municipal Utility District No. 457

Management's Discussion and Analysis

December 31, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2019	2018
Current and other assets	$ 7,037,366	$ 3,535,895
Capital assets	9,936,068	7,979,370
Total assets	$ 16,973,434	$ 11,515,265
Long-term liabilities	$ 21,356,123	$ 15,680,197
Other liabilities	398,953	151,681
Total liabilities	21,755,076	15,831,878
Deferred inflows of resources	3,219,024	1,778,404
Net position:		
Net investment in capital assets	(9,732,758)	(7,047,702)
Restricted	155,697	97,754
Unrestricted	1,576,395	854,931
Total net position	$ (8,000,666)	$ (6,095,017)

The total net position of the District decreased by $1,905,649 or about 31 percent. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2019	2018
Revenues:		
Property taxes	$ 1,900,039	$ 902,987
Charges for services	779,839	392,530
Other revenues	1,270,519	501,029
Total revenues	3,950,397	1,796,546

Summary of Changes in Net Position (Continued)

	2019	2018
Expenses:		
Services	$ 2,058,395	$ 1,358,198
Conveyance of capital assets	1,852,235	2,310,716
Depreciation	405,796	226,681
Debt service	697,729	137,272
Contractual obligation	841,891	-
Total expenses	5,856,046	4,032,867
Change in net position	(1,905,649)	(2,236,321)
Net position, beginning of year	(6,095,017)	(3,858,696)
Net position, end of year	$ (8,000,666)	$ (6,095,017)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended December 31, 2019, were $3,530,186, an increase of $1,881,344 from the prior year.

The general fund's fund balance increased by $720,162, primarily due to property taxes and services revenues exceeding service operation expenditures.

The debt service fund's fund balance increased by $591,104, primarily due to bond proceeds received in the current year, as well as property taxes generated exceeding debt principal and interest requirements and contractual obligation.

The capital projects fund's fund balance increased by $570,078, primarily due to bond proceeds received in the current year in excess of capital outlay expenditures and debt issuance costs.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, regional water fee revenue and expenditures, and tap connection and inspection fee revenues and expenditures being greater than anticipated. In addition, other income was not included in the current year budget. The fund balance as of December 31, 2019, was expected to be $867,598 and the actual end-of-year fund balance was $1,573,760.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2019	2018
Water facilities	$ 2,356,195	$ 1,907,168
Wastewater facilities	3,800,761	2,989,713
Road and paving facilities	3,779,112	3,082,489
Total capital assets	$ 9,936,068	$ 7,979,370

During the current year, additions to capital assets were as follows:

Engineering and interest related to construction of water and wastewater facilities to serve Elyson, Sections 1-5, 7-9 and 12	$ 187,894
Water and wastewater facilities to serve Elyson, Sections 14 and 17-20	1,217,716
Road facilities to serve Elyson, Section 17	956,884
Total additions to capital assets	$ 2,362,494

The developer within the District has advanced funds for the construction of facilities on behalf of the District under the terms of contracts with the District. The District has agreed to reimburse the cost of these facilities from the proceeds of future bond issues, subject to the approval of the Commission, as applicable, and the terms of the contracts with the developer. As of December 31, 2019, a liability for developer-constructed capital assets of $9,426,160 was recorded in the government-wide financial statements.

Since inception, the developer has advanced $495,000 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming year. These advances have been recorded as liabilities in the financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized as follows:

Long-term debt payable, beginning of year	$ 15,680,197
Increases in long-term debt	12,076,861
Decreases in long-term debt	(6,400,935)
Long-term debt payable, end of year	$ 21,356,123

The District's bonds do not carry an underlying rating. The Series 2019 unlimited tax bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

At December 31, 2019, the District had $183,965,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and for refunding such bonds, $70,240,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing park and recreational facilities and for refunding such bonds and $54,715,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing roads and for refunding such bonds.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent if the City complies with the procedures and requirements of Chapter 43, Texas Local Government Code, as amended, which may include voter approval. If the District is annexed, the City must assume the District's assets and obligations (including the bond indebtedness) and the District, is dissolved.

Contingencies

The developer of the District is advancing funds for construction of facilities on behalf of the District within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately $598,500. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Harris County Municipal Utility District No. 457
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 599,787	$ 2,111,725	$ 53,690	$ 2,765,202	$ -	$ 2,765,202
Short-term investments	914,257	753,721	1,199,130	2,867,108	-	2,867,108
Receivables:						
Property taxes	295,747	839,065	-	1,134,812	-	1,134,812
Service accounts	82,129	-	-	82,129	-	82,129
Interfund receivable	584,221	-	-	584,221	(584,221)	-
Prepaid expenditures	675	-	-	675	-	675
Operating reserve	187,440	-	-	187,440	-	187,440
Capital assets (net of accumulated depreciation):						
Infrastructure	-	-	-	-	6,156,956	6,156,956
Road facilities	-	-	-	-	3,779,112	3,779,112
Total assets	$ 2,664,256	3,704,511	1,252,820	7,621,587	$ 9,351,847	$ 16,973,434

Harris County Municipal Utility District No. 457

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 244,865	$ 7,446	$ 16,751	$ 269,062	$ -	$ 269,062
Accrued interest payable	-	5,587	-	5,587	118,254	123,841
Customer deposits	6,050	-	-	6,050	-	6,050
Interfund payable	-	580,174	4,047	584,221	(584,221)	-
Long-term liabilities:						
Due within one year	-	-	-	-	400,000	400,000
Due after one year	-	-	-	-	20,956,123	20,956,123
Total liabilities	250,915	593,207	20,798	864,920	20,890,156	21,755,076
Deferred Inflows of Resources						
Deferred property tax revenues	839,581	2,386,900	0	3,226,481	(7,457)	3,219,024
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	675	-	-	675	(675)	-
Restricted:						
Unlimited tax bonds	-	724,404	-	724,404	(724,404)	-
Water, sewer and drainage	-	-	556,593	556,593	(556,593)	-
Roads	-	-	675,429	675,429	(675,429)	-
Assigned to operating reserve	187,440	-	-	187,440	(187,440)	-
Unassigned	1,385,645	-	-	1,385,645	(1,385,645)	-
Total fund balances	1,573,760	724,404	1,232,022	3,530,186	(3,530,186)	0
Total liabilities, deferred inflows of resources and fund balances	$ 2,664,256	$ 3,704,511	$ 1,252,820	$ 7,621,587		
Net position:						
Net investment in capital assets					(9,732,758)	(9,732,758)
Restricted for debt service					129,999	129,999
Restricted for capital projects					25,698	25,698
Unrestricted					1,576,395	1,576,395
Total net position					$ (8,000,666)	$ (8,000,666)

Harris County Municipal Utility District No. 457

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

Year Ended December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 670,260	$ 1,223,655	$ -	$ 1,893,915	$ 6,124	$ 1,900,039
Water service	229,646	-	-	229,646	-	229,646
Sewer service	199,301	-	-	199,301	-	199,301
Regional water fee	350,892	-	-	350,892	-	350,892
Penalty and interest	10,632	5,694	-	16,326	-	16,326
Tap connection and inspection fees	623,496	-	-	623,496	-	623,496
Investment income	21,214	16,283	17,012	54,509	-	54,509
Other income	544,697	390	-	545,087	31,101	576,188
Total revenues	2,650,138	1,246,022	17,012	3,913,172	37,225	3,950,397
Expenditures/Expenses						
Service operations:						
Purchased services	711,800	-	-	711,800	-	711,800
Regional water fee	355,142	-	-	355,142	-	355,142
Professional fees	181,041	622	-	181,663	52,148	233,811
Contracted services	151,084	27,922	-	179,006	-	179,006
Repairs and maintenance	225,661	-	-	225,661	-	225,661
Other expenditures	52,057	7,577	133	59,767	8,916	68,683
Tap connections	284,292	-	-	284,292	-	284,292
Capital outlay	-	-	6,401,295	6,401,295	(6,401,295)	-
Conveyance of capital assets	-	-	-	-	1,852,235	1,852,235
Depreciation	-	-	-	-	405,796	405,796
Debt service:						
Principal retirement	-	90,000	-	90,000	(90,000)	-
Interest and fees	-	134,594	-	134,594	84,067	218,661
Debt issuance costs	-	-	479,068	479,068	-	479,068
Contractual obligations	-	841,891	-	841,891	-	841,891
Total expenditures/expenses	1,961,077	1,102,606	6,880,496	9,944,179	(4,088,133)	5,856,046
Excess (Deficiency) of Revenues Over Expenditures	689,061	143,416	(6,863,484)	(6,031,007)	4,125,358	

Harris County Municipal Utility District No. 457

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
General obligation bonds issued	$ -	$ 447,688	$ 7,677,312	$ 8,125,000	$ (8,125,000)	
Discount on debt issued	-	-	(243,750)	(243,750)	243,750	
Recovery from governmental agency	31,101	-	-	31,101	(31,101)	
Total other financing sources	31,101	447,688	7,433,562	7,912,351	(7,912,351)	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	720,162	591,104	570,078	1,881,344	(1,881,344)	
Change in Net Position					(1,905,649)	$ (1,905,649)
Fund Balances/Net Position						
Beginning of year	853,598	133,300	661,944	1,648,842	-	(6,095,017)
End of year	$ 1,573,760	$ 724,404	$ 1,232,022	$ 3,530,186	$ 0	$ (8,000,666)

Harris County Municipal Utility District No. 457

Notes to Financial Statements

December 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Harris County Municipal Utility District No. 457 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective December 21, 2006, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, Chapter 8439 of the Texas Special District Local Laws Code, and Article XVI, Section 59, of the Constitution of the State of Texas and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, park, road and other facilities and to provide such facilities and services to the customers of the District. The District may also provide solid waste disposal services.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental fund. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2018 on the 2018 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2019, the tax levied in October 2019 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ending December 31, 2020. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets, with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives, as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Road and paving facilities	10-30

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balance

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 9,936,068
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	7,457
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(118,254)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(21,356,123)
Adjustment to fund balances to arrive at net position.	$ (11,530,852)

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	$ 1,881,344
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of conveyance of capital assets and depreciation expense in the current period.	4,082,200
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	243,750
Governmental funds report proceeds from sale of bonds because they provide current financial resources to governmental fund. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any affect on net position.	(8,035,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	6,124
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(84,067)
Change in net position of governmental activities.	$ (1,905,649)

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2019, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2019, the District had the following investments and maturities:

		Maturities in Years			
Type	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	$ 2,867,108	$ 2,867,108	$ 0	$ 0	$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The government money market fund is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at December 31, 2019, as follows:

Carrying value:	
Deposits	$ 2,765,202
Investments	2,867,108
Total	$ 5,632,310

Investment Income

Investment income of $54,509 for the year ended December 31, 2019, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2019, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	$ 2,010,635	$ 504,814	$ 2,515,449
Wastewater collection and treatment facilities	3,147,508	900,796	4,048,304
Road facilities	3,244,725	956,884	4,201,609
Total capital assets, depreciable	8,402,868	2,362,494	10,765,362
Less accumulated depreciation:			
Water production and distribution facilities	(103,467)	(55,787)	(159,254)
Wastewater collection and treatment facilities	(157,795)	(89,748)	(247,543)
Road facilities	(162,236)	(260,261)	(422,497)
Total accumulated depreciation	(423,498)	(405,796)	(829,294)
Total governmental activities, net	$ 7,979,370	$ 1,956,698	$ 9,936,068

Harris County Municipal Utility District No. 457
Notes to Financial Statements
December 31, 2019

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2019, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 3,750,000	$ 8,125,000	$ 90,000	$ 11,785,000	$ 400,000
Less discounts on bonds	109,072	243,750	2,785	350,037	-
	3,640,928	7,881,250	87,215	11,434,963	400,000
Developer advances	495,000	-	-	495,000	-
Due to developers	11,544,269	4,195,611	6,313,720	9,426,160	-
Total governmental activities long-term liabilities	$ 15,680,197	$ 12,076,861	$ 6,400,935	$ 21,356,123	$ 400,000

General Obligation Bonds Issued

	Road Series 2017	Series 2019
Amounts outstanding, December 31, 2019	$3,660,000	$8,125,000
Interest rates	2.00% to 4.00%	2.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2020/2042	September 1, 2020/2044
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	September 1, 2023	September 1, 2024

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at December 31, 2019.

Year	Principal	Interest	Total
2020	$ 400,000	$ 354,763	$ 754,763
2021	290,000	339,137	629,137
2022	305,000	328,088	633,088
2023	320,000	316,961	636,961
2024	325,000	304,213	629,213
2025	1,875,000	1,371,976	3,246,976
2026	2,340,000	1,115,745	3,455,745
2027	2,915,000	752,881	3,667,881
2028	3,015,000	260,500	3,275,500
Total	$ 11,785,000	$ 5,144,264	$ 16,929,264

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

Bonds voted:	
Water, sewer and drainage facilities and refunding	$192,090,000
Park and recreational facilities and refunding	70,240,000
Road facilities and refunding	58,465,000
Bonds sold:	
Water, sewer and drainage facilities	8,125,000
Road facilities	3,750,000

Due to Developers

The developer has advanced funds for the construction of facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest to the extent approved by the Commission, as applicable, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are $9,426,160. These amounts have been recorded in the financial statements as long-term liabilities.

Developers Advances

Since inception, the developer has advanced the District $495,000 to the District for operations. The District does not have sufficient funds or anticipated revenues sufficient to liquidate these advances during the forthcoming year. These advances have been recorded as liabilities in the financial statements.

Note 5: Significant Bond Resolution and Commission Requirements

A. The Bond Resolution requires that the District levy and collect an ad valorem debt service tax sufficient to pay principal and interest on bonds when due. During the year ended December 31, 2019, the District levied an ad valorem debt service tax at the rate of $0.1550 per $100 of assessed valuation, which resulted in a tax levy of $332,633 on the taxable valuation of $214,601,643 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are $528,469.

B. The Road Bond Resolution requires that the District levy and collect an ad valorem road debt service tax sufficient to pay principal and interest on road bonds when due. During the year ended December 31, 2019, the District levied an ad valorem road debt service tax at the rate of $0.0850 per $100 of assessed valuation, which resulted in a tax levy of $182,411 on the taxable valuation of $214,601,643 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are $226,294.

C. In accordance with the Road Series 2017 and Series 2019 Bond Resolutions, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	$	166,378
Additions:		
Interest appropriated from Series 2019 bond proceeds		447,688
Deductions--Appropriation from bond interest paid:		
Road Series 2017		133,093
Bond interest reserve, end of year	$	480,973

Note 6: Maintenance Taxes

At an election held November 4, 2014, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended December 31, 2019, the District levied an ad valorem maintenance tax at the rate of $0.3900 per $100 of assessed valuation, which resulted in a tax levy of $836,946 on the taxable valuation of $214,601,643 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held November 4, 2014, voters authorized a road facilities maintenance tax not to exceed $0.25 per $100 valuation on all property within the District subject to taxation. During the year ended December 31, 2019, the District did not levy an ad valorem road facilities maintenance tax.

Note 7: Contract Taxes

At an election held November 4, 2014, voters authorized the contract (as defined in Note 8) which requires the District to impose a contract tax on all property within the District subject to taxation. During the year ended December 31, 2019, the District levied an ad valorem contract tax at the rate of $0.8700 per $100 of assessed valuation, which resulted in a tax levy of $1,867,035 on the taxable valuation of $214,601,643 for 2019 tax year. This contract tax is used to pay for its pro rata share of principal and interest on the Harris County Municipal Utility District No. 171's (the Master District) contract revenue bonds as described in Note 8.

Note 8: Financing and Operation of Regional Facilities

Effective February 9, 2015, the District entered into a 40-year Contract for Financing, Operation, and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer, Park, Road and Other Facilities (the contract) with the Master District, which sets forth the general terms and conditions pursuant to which the districts share in the joint financing, operation, and use of certain water, sanitary sewer, storm drainage and detention, road and park facilities that serve the areas within the Master District's service area (the Regional Facilities). The Master District shall be the owner of the Regional Facilities constructed and acquired and will provide the services permitted by the contract to all participant districts that are in existence or will be created within the Master District's service area.

Under the terms of the contract, the Master District will charge the participants a monthly operational fee calculated by multiplying the unit cost per connection by the number of equivalent single-family residential connections reserved to each district. The Master District is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, the Master District is authorized to issue contract revenue bonds sufficient to complete acquisition and construction of the water, sewer, drainage and road regional facilities as needed to serve all districts in the service area. Each participating district is obligated to pay its pro rata share of debt service requirements on the Master District's contract revenue bonds. With respect to regional recreational facilities, the participant districts will be required to pay the Master District for such facilities by paying park construction charges.

The debt service requirements on all of the Master District's Contract Revenue Bonds outstanding as of December 31, 2019, are as follows.

Year	Principal	Interest	Total
2020	$ 740,000	$ 1,396,032	$ 2,136,032
2021	880,000	1,304,142	2,184,142
2022	915,000	1,281,632	2,196,632
2023	960,000	1,257,238	2,217,238
2024	995,000	1,230,593	2,225,593
2025-2029	5,680,000	5,666,587	11,346,587
2030-2034	7,040,000	4,592,305	11,632,305
2035-2039	8,720,000	3,157,470	11,877,470
2040-2044	10,425,000	1,270,945	11,695,945
Total	$ 36,355,000	$ 21,156,944	$ 57,511,944

Based on the calculations provided by the Master District's financial advisor, the District's pro rata share of total 2019 assessed valuation is 86 percent and its pro rata share of the 2020 principal and interest requirements of the Master District's bonds is $1,891,072.

Note 9: 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 natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10: Contingencies

A developer of the District is advancing funds for construction of facilities on behalf of the District, within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds from future bond sales, to the extent approved by the Commission, as applicable. The District's engineer has stated that current construction amounts are approximately $598,500. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Harris County Municipal Utility District No. 457
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2019

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 550,000	$ 670,260	$ 120,260
Water service	253,500	229,646	(23,854)
Sewer service	186,900	199,301	12,401
Regional water fee	250,000	350,892	100,892
Penalty and interest	3,800	10,632	6,832
Tap connection and inspection fees	246,540	623,496	376,956
Investment income	16,000	21,214	5,214
Other income	-	544,697	544,697
Total revenues	1,506,740	2,650,138	1,143,398
Expenditures			
Service operations:			
Purchased services	683,760	711,800	(28,040)
Regional water fee	250,000	355,142	(105,142)
Professional fees	134,500	181,041	(46,541)
Contracted services	98,610	151,084	(52,474)
Repairs and maintenance	198,720	225,661	(26,941)
Other expenditures	55,150	52,057	3,093
Tap connections	72,000	284,292	(212,292)
Total expenditures	1,492,740	1,961,077	(468,337)
Excess of Revenues Over Expenditures	14,000	689,061	675,061
Other Financing Sources			
Recovery from governmental agency	-	31,101	31,101
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	14,000	720,162	706,162
Fund Balance, Beginning of Year	853,598	853,598	-
Fund Balance, End of Year	$ 867,598	$ 1,573,760	$ 706,162

Harris County Municipal Utility District No. 457

Notes to Required Supplementary Information

December 31, 2019

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during 2019.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Harris County Municipal Utility District No. 457

Other Schedules Included Within This Report

December 31, 2019

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund

[X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 457

Schedule of Services and Rates

Year Ended December 31, 2019

1. Services provided by the District:

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

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

___ Other ___

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 13.25	1,000	N	$ 1.05	1,001	to	30,000
				$ 1.50	30,001	to	No Limit
Wastewater:	$ 15.50	1,000	N	$ 1.45	1,001	to	No Limit
Regional water fee:	$ 3.10	1,000	N	$ 3.10	1,001	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes X No ___

Total charges per 10,000 gallons usage (including fees): Water $ 53.70 Wastewater $ 28.55

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	727	724	x1.0	724
1"	233	231	x2.5	578
1 1/2"	1	1	x5.0	5
2"	32	32	x8.0	256
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	994	989		1,643
Total wastewater	942	937	x1.0	937

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	121,077
Gallons billed to customers:	121,077
Water accountability ratio (gallons billed/gallons pumped):	100.00%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 457
Schedule of General Fund Expenditures
Year Ended December 31, 2019

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 13,200	
Legal	61,449	
Engineering	106,392	
Financial advisor	-	181,041
Purchased Services for Resale		
Bulk water and wastewater service purchases		711,800
Regional Water Fee		355,142
Contracted Services		
Bookkeeping	10,920	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	20,512	31,432
Utilities		-
Repairs and Maintenance		225,661
Administrative Expenditures		
Directors' fees	8,100	
Office supplies	34,102	
Insurance	2,992	
Other administrative expenditures	6,863	52,057
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		284,292
Solid Waste Disposal		119,652
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 1,961,077

Harris County Municipal Utility District No. 457

Schedule of Temporary Investments

December 31, 2019

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	1.61%	Demand	$ 914,257	$ 0
Debt Service Fund				
TexPool	1.61%	Demand	455,075	-
TexPool	1.61%	Demand	82,875	-
TexPool	1.61%	Demand	215,771	-
			753,721	0
Capital Projects Fund				
TexPool	1.61%	Demand	577,391	-
TexPool	1.61%	Demand	621,739	-
			1,199,130	0
Totals			$ 2,867,108	$ 0

Harris County Municipal Utility District No. 457

Analysis of Taxes Levied and Receivable

Year Ended December 31, 2019

	Maintenance Taxes	Contract Taxes	Road Debt Service Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 272,700	$ 419,850	$ 76,802	$ -
Additions and corrections to prior years' taxes	43,193	66,313	12,130	-
Adjusted receivable, beginning of year	315,893	486,163	88,932	0
2019 Original Tax Levy	667,928	1,489,995	145,574	265,459
Additions and corrections	169,018	377,040	36,837	67,174
Adjusted tax levy	836,946	1,867,035	182,411	332,633
Total to be accounted for	1,152,839	2,353,198	271,343	332,633
Tax collections: Current year	(543,834)	(1,213,169)	(118,528)	(216,139)
Prior years	(313,258)	(482,086)	(88,187)	-
Receivable, end of year	$ 295,747	$ 657,943	$ 64,628	$ 116,494
Receivable, by Years				
2019	$ 293,112	$ 653,866	$ 63,883	$ 116,494
2018	2,635	4,077	745	-
Receivable, end of year	$ 295,747	$ 657,943	$ 64,628	$ 116,494

Harris County Municipal Utility District No. 457
Analysis of Taxes Levied and Receivable (Continued)
Year Ended December 31, 2019

	2019	2018	2017	2016
Property Valuations				
Land	$ 80,686,236	$ 57,709,275	$ 46,421,863	$ 2,354,752
Improvements	141,419,135	64,928,031	16,420,795	469,555
Personal property	1,256,704	718,175	224,511	-
Exemptions	(8,760,432)	(4,795,232)	(3,144,426)	(1,681,357)
Total property valuations	$ 214,601,643	$ 118,560,249	$ 59,922,743	$ 1,142,950
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.1550	$ -	$ -	$ -
Road debt service tax rates	0.0850	0.1500	-	-
Contract tax rates	0.8700	0.8200	-	-
Maintenance tax rates*	0.3900	0.5300	1.5000	1.5000
Total tax rates per $100 valuation	$ 1.5000	$ 1.5000	$ 1.5000	$ 1.5000
Tax Levy	$ 3,219,025	$ 1,778,404	$ 898,841	$ 17,144
Percent of Taxes Collected to Taxes Levied**	65%	99%	100%	100%

*Maximum tax rate approved by voters: $1.50 on November 4, 2014

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

Harris County Municipal Utility District No. 457

Schedule of Long-term Debt Service Requirements by Years

December 31, 2019

Due During Fiscal Years Ending December 31	Road Series 2017 Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 95,000	$ 131,294	$ 226,294
2021	100,000	129,393	229,393
2022	105,000	126,894	231,894
2023	110,000	124,268	234,268
2024	110,000	120,969	230,969
2025	115,000	117,669	232,669
2026	120,000	114,219	234,219
2027	130,000	110,619	240,619
2028	135,000	106,556	241,556
2029	140,000	102,169	242,169
2030	145,000	97,444	242,444
2031	155,000	92,369	247,369
2032	160,000	86,750	246,750
2033	165,000	80,750	245,750
2034	175,000	74,563	249,563
2035	180,000	68,000	248,000
2036	190,000	60,800	250,800
2037	200,000	53,200	253,200
2038	210,000	45,200	255,200
2039	215,000	36,800	251,800
2040	225,000	28,200	253,200
2041	235,000	19,200	254,200
2042	245,000	9,800	254,800
Totals	$ 3,660,000	$ 1,937,126	$ 5,597,126

Harris County Municipal Utility District No. 457

Schedule of Long-term Debt Service Requirements by Years (Continued)

December 31, 2019

	Series 2019		
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1, September 1	Total
2020	$ 305,000	$ 223,469	$ 528,469
2021	190,000	209,744	399,744
2022	200,000	201,194	401,194
2023	210,000	192,693	402,693
2024	215,000	183,244	398,244
2025	225,000	173,569	398,569
2026	235,000	169,069	404,069
2027	245,000	164,368	409,368
2028	260,000	159,469	419,469
2029	270,000	154,269	424,269
2030	280,000	148,869	428,869
2031	295,000	143,268	438,268
2032	310,000	137,369	447,369
2033	320,000	130,781	450,781
2034	335,000	123,582	458,582
2035	350,000	116,043	466,043
2036	365,000	107,732	472,732
2037	385,000	98,606	483,606
2038	400,000	88,500	488,500
2039	420,000	78,000	498,000
2040	440,000	66,450	506,450
2041	460,000	54,350	514,350
2042	480,000	41,700	521,700
2043	500,000	27,900	527,900
2044	430,000	12,900	442,900
Totals	$ 8,125,000	$ 3,207,138	$ 11,332,138

Harris County Municipal Utility District No. 457

Schedule of Long-term Debt Service Requirements by Years (Continued)

December 31, 2019

	Annual Requirements For All Series		
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	$ 400,000	$ 354,763	$ 754,763
2021	290,000	339,137	629,137
2022	305,000	328,088	633,088
2023	320,000	316,961	636,961
2024	325,000	304,213	629,213
2025	340,000	291,238	631,238
2026	355,000	283,288	638,288
2027	375,000	274,987	649,987
2028	395,000	266,025	661,025
2029	410,000	256,438	666,438
2030	425,000	246,313	671,313
2031	450,000	235,637	685,637
2032	470,000	224,119	694,119
2033	485,000	211,531	696,531
2034	510,000	198,145	708,145
2035	530,000	184,043	714,043
2036	555,000	168,532	723,532
2037	585,000	151,806	736,806
2038	610,000	133,700	743,700
2039	635,000	114,800	749,800
2040	665,000	94,650	759,650
2041	695,000	73,550	768,550
2042	725,000	51,500	776,500
2043	500,000	27,900	527,900
2044	430,000	12,900	442,900
Totals	$ 11,785,000	$ 5,144,264	$ 16,929,264

Harris County Municipal Utility District No. 457

Changes in Long-term Bonded Debt

Year Ended December 31, 2019

	Bond Issues		
	Road Series 2017	Series 2019	Total
Interest rates	2.00% to 4.00%	2.00% to 4.50%	
Dates interest payable	March 1/ September 1	March 1/ September 1	
Maturity dates	September 1, 2020/2042	September 1, 2020/2044	
Bonds outstanding, beginning of current year	$ 3,750,000	$ -	$ 3,750,000
Bonds sold during current year	-	8,125,000	8,125,000
Retirements, principal	90,000	-	90,000
Bonds outstanding, end of current year	$ 3,660,000	$ 8,125,000	$ 11,785,000
Interest paid during current year	$ 133,093	$ 0	$ 133,093

Paying agent's name and address:

Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:	Water, Sewer and Drainage and Refunding Bonds	Park and Recreational and Refunding Bonds	Road and Refunding Bonds
Amount authorized by voters	$ 192,090,000	$ 70,240,000	$ 58,465,000
Amount issued	$ 8,125,000	$ -	$ 3,750,000
Remaining to be issued	$ 183,965,000	$ 70,240,000	$ 54,715,000

Debt service fund cash and temporary investment balances as of December 31, 2019:	$ 2,865,446
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 677,171

Harris County Municipal Utility District No. 457

Comparative Schedule of Revenues and Expenditures – General Fund

Four Years Ended December 31,

	Amounts			
	2019	2018	2017	2016
General Fund				
Revenues				
Property taxes	$ 670,260	$ 901,654	$ 392,324	$ 50,846
Water service	229,646	142,666	62,590	4,393
Sewer service	199,301	99,697	48,087	2,660
Regional water fee	350,892	150,167	82,601	7,193
Penalty and interest	10,632	4,495	3,202	332
Tap connection and inspection fees	623,496	396,565	263,880	138,385
Investment income	21,214	10,651	474	34
Other income	544,697	74,793	160	130
Total revenues	2,650,138	1,780,688	853,318	203,973
Expenditures				
Service operations:				
Purchased services	711,800	557,960	134,960	-
Regional water fee	355,142	154,632	45,142	-
Professional fees	181,041	148,331	154,017	93,066
Contracted services	151,084	74,962	37,582	9,799
Repairs and maintenance	225,661	190,044	95,922	21,032
Other expenditures	52,057	44,373	36,697	19,626
Tap connections	284,292	167,248	111,753	58,150
Capital outlay	-	-	175,000	-
Total expenditures	1,961,077	1,337,550	791,073	201,673
Excess of Revenues Over Expenditures	689,061	443,138	62,245	2,300
Other Financing Sources				
Interfund transfers in	-	16,636	-	-
Developer advances received	-	-	225,000	100,000
Recovery from governmental agency	31,101	-	-	-
Total other financing sources	31,101	16,636	225,000	100,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	720,162	459,774	287,245	102,300
Fund Balance, Beginning of Year	853,598	393,824	106,579	4,279
Fund Balance, End of Year	$ 1,573,760	$ 853,598	$ 393,824	$ 106,579
Total Active Retail Water Connections	989	608	308	106
Total Active Retail Wastewater Connections	937	579	282	98

Percent of Fund Total Revenues			
2019	2018	2017	2016
25.3 %	50.6 %	46.0 %	24.9 %
8.7	8.0	7.3	2.2
7.5	5.6	5.6	1.3
13.2	8.4	9.7	3.5
0.4	0.3	0.4	0.2
23.5	22.3	30.9	67.8
0.8	0.6	0.1	0.0
20.6	4.2	0.0	0.1
100.0	100.0	100.0	100.0
26.9	31.3	15.8	-
13.4	8.7	5.3	-
6.8	8.3	18.0	45.6
5.7	4.2	4.4	4.8
8.5	10.7	11.2	10.3
2.0	2.5	4.3	9.6
10.7	9.4	13.1	28.5
-	-	20.5	-
74.0	75.1	92.6	98.8
26.0 %	24.9 %	7.4 %	1.2 %

Harris County Municipal Utility District No. 457

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Three Years Ended December 31,

	Amounts		
	2019	2018	2017
Debt Service Fund			
Revenues			
Property taxes	$ 1,223,655	$ -	$ -
Penalty and interest	5,694	2,830	-
Investment income	16,283	2,637	4
Other income	390	70	-
Total revenues	1,246,022	5,537	4
Expenditures			
Current:			
Professional fees	622	223	-
Contracted services	27,922	15,138	-
Other expenditures	7,577	5,118	4
Debt service:			
Principal retirement	90,000	-	-
Interest and fees	134,594	101,310	750
Contractual obligations	841,891	-	-
Total expenditures	1,102,606	121,789	754
Excess (Deficiency) of Revenues Over Expenditures	143,416	(116,252)	(750)
Other Financing Sources (Uses)			
General obligation bonds issued	447,688	-	266,938
Interfund transfers out	-	(16,636)	-
Total other financing sources (uses)	447,688	(16,636)	266,938
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	591,104	(132,888)	266,188
Fund Balance, Beginning of Year	133,300	266,188	-
Fund Balance, End of Year	$ 724,404	$ 133,300	$ 266,188

Percent of Fund Total Revenues		
2019	**2018**	**2017**
98.2 %	- %	- %
0.5	51.1	-
1.3	47.6	100.0
0.0	1.3	-
100.0	100.0	100.0
0.1	4.0	-
2.2	273.4	-
0.6	92.4	100.0
7.2	-	-
10.8	1,829.7	18,750.0
67.6	-	-
88.5	2,199.5	18,850.0
11.5 %	(2,099.5) %	(18,750.0) %

Harris County Municipal Utility District No. 457

Board Members, Key Personnel and Consultants

Year Ended December 31, 2019

Complete District mailing address:	Harris County Municipal Utility District No. 457 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	
District business telephone number:	713.860.6400	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		June 4, 2018
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Linda Gaskill	Elected 05/16-05/20	$ 1,800	$ 24	President
Jim Robinson	Appointed 11/16-05/20	1,650	144	Vice President
Jack Flores	Elected 05/16-05/20	1,950	86	Secretary
Megan Crutcher	Elected 05/18-05/22	450	31	Assistant Secretary
Caleb Burson	Elected 05/18-05/22	2,250	1,597	Assistant Vice President/ Assistant Secretary

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

Harris County Municipal Utility District No. 457
Board Members, Key Personnel and Consultants (Continued)
Year Ended December 31, 2019

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	08/12/14	$ 65,343	General Counsel
		202,914	Bond Counsel
BGE, Inc.	08/12/14	166,291	Engineer
BKD, LLP	02/13/17	29,200	Auditor
F. Matuska, Inc.	08/12/14	12,742	Bookkeeper
Harris County Appraisal District	Legislative Action	16,260	Appraiser
Masterson Advisors LLC	05/14/18	159,592	Financial Advisor
Si Environmental, LLC	05/11/15	620,400	Operator
Utility Tax Service, LLC	05/11/15	15,130	Tax Assessor/ Collector
Investment Officer			
Fran Matuska	08/12/14	N/A	Bookkeeper

APPENDIX B
Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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