OFFICIAL STATEMENT DATED DECEMBER 17, 2020

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

THE BONDS HAVE **NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: Moody's "A1"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

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

$8,845,000
UNLIMITED TAX BONDS
SERIES 2021

The $8,845,000 Unlimited Tax Bonds, Series 2021 (the "Bonds") are obligations solely of Northwest Harris County Municipal Utility District No. 5 (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 located within the District. The Bonds are obligations solely of the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

Dated Date: January 1, 2021 **Due: May 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 January 1, 2021, and is payable each May 1 and November 1 , commencing May 1, 2021, until maturity or prior redemption. The Bonds will be issued only in fully registered form. The Bonds will be issued 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/Registrar 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."

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

MATURITY SCHEDULE

Principal Amount	Maturity (May 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Principal Amount	Maturity (May 1)	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
$ 370,000	2022	667488 UP3	3.000%	0.30%	$ 370,000	2030 (a)	667488 UX6	1.000%	1.20%
370,000	2023	667488 UQ1	3.000	0.35	370,000	2031 (a)	667488 UY4	1.250	1.30
370,000	2024	667488 UR9	3.000	0.45	***	***	***	***	***
370,000	2025	667488 US7	3.000	0.55	370,000	2034 (a)	667488 VB3	1.500	1.60
370,000	2026	667488 UT5	1.000	0.65	370,000	2035 (a)	667488 VC1	1.625	1.70
370,000	2027 (a)	667488 UU2	1.000	0.80	370,000	2036 (a)	667488 VD9	1.750	1.80
370,000	2028 (a)	667488 UV0	1.000	0.95	370,000	2037 (a)	667488 VE7	1.875	1.90
370,000	2029 (a)	667488 UW8	1.000	1.07	370,000	2038 (a)	667488 VF4	1.875	1.95

$740,000 Term Bonds due May 1, 2033 (a), 667488 VA5 (b), 1.25% Interest Rate, 1.43% Yield (c)
$730,000 Term Bonds due May 1, 2040 (a), 667488 VH0 (b), 2.00% Interest Rate, 2.00% Yield (c)
$730,000 Term Bonds due May 1, 2042 (a), 667488 VK3 (b), 2.00% Interest Rate, 2.10% Yield (c)
$1,095,000 Term Bonds due May 1, 2045 (a), 667488 VN7 (b), 2.00% Interest Rate, 2.15% Yield (c)

(a) Bonds maturing on or after May 1, 2027, 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 May 1, 2026, 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 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 Underwriters (defined herein) 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 Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about January 14, 2021.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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

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

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") paying the interest rates shown on the cover page hereof, at a price of 99.2365% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 1.827886%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any 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 that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no 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; nor have the Bonds 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.

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 (hereinafter defined). 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 partially 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.

EXTREME WEATHER

General... The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District... According to Municipal District Services, LLC (the "Operator"), the District's water and sewer system did not sustain any material damage and there was no interruption of water and sewer service. However, approximately 25 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 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."

THE DISTRICT

Description... The District is a political subdivision of the State of Texas, operating pursuant to Chapters 49 and 54 of the Texas Water Code. The District was created by an order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ") dated December 3, 1974, and confirmed at an election held within the District on April 3, 1976. The District currently encompasses approximately 2,830 acres of land. See "THE BONDS—Issuance of Additional Debt," "THE DISTRICT," and "INVESTMENT CONSIDERATIONS—Future Debt."

Location... The District is located approximately 25 miles northwest of the central business district of the City of Houston, Texas and is located entirely within Houston's exclusive extraterritorial jurisdiction. A portion of the District is located in the Cypress-Fairbanks Independent School District and the remaining portion of the District is located in the Tomball Independent School District. Access to the District is by U.S. Highway 290 to Spring-Cypress Road. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

The Developers… Development of the District began in the 1970s. The District has been developed as a predominantly single-family residential development. The most recent development of lots has been completed or is ongoing by Caldwell Companies, Lennar Homes of Texas, Riverway Properties, NorthPointe Development Partners, Flair Builders LLC and Beazer Homes. Such entities are collectively referred to herein as the "Developers." See "THE DEVELOPERS" and "INVESTMENT CONSIDERATIONS—Future Debt."

Status of Development... Approximately 2,017 acres (approximately 7,649 lots) have been developed as the single family residential subdivisions of Fairwood, Lakewood Oaks Estates, Village Creek, Rock Creek, The Reserve at Cypress Creek, The Village of Indian Trails, Villages on Grant, Lakes at NorthPointe, Forest Creek Farms, Oakcrest, Oakcrest North, Grant Meadows, Treeline and Wildwood at Northpointe, Enclave at NorthPointe, Valencia Pines and Hayden Lakes. In addition, construction is underway for 148 single-family residential lots on approximately 35 acres in Willow Wood Place and Telge Ranch with completion expected by early 2021. Homes within the District have a market value ranging from approximately $100,000 to $800,000 with an average market value of approximately $308,000 for 2020. See "THE DISTRICT—Status of Development." As of November 19, 2020, the District had 7,310 active residential connections, 20 unoccupied homes, 60 homes under construction or in a builder's name and 259 vacant developed lots.

Commercial development in the District consists of an HEB grocery store, a storage facility, two retail shopping centers, three gas stations, an orthodontist office, an urgent care center, two daycares, and a swim school on approximately 65 acres. There are currently approximately 190 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 523 undevelopable acres in the District. See "THE DISTRICT—Status of Development."

Builders… Homebuilders actively conducting building programs within the District include Ashton Woods Homes, Brighton Homes, Highland Homes, I-Homes, K Hovnanian Homes, Newmark Homes, Lennar Homes, Long Lake Ltd., Perry Homes, KB Homes and Village Builders See "THE DISTRICT—Status of Development—Single Family Residential."

Payment Record... The District has previously sold $208,540,000 principal amount of unlimited tax bonds or combination unlimited tax and revenue bonds in seventeen series, $8,000,000 principal amount of unlimited tax park bonds in one series and $61,115,000 principal amount of unlimited tax or combination unlimited tax and revenue refunding bonds in six series, $137,130,000 of which collectively remains outstanding (the "Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

THE BONDS

Description... The $8,845,000 Unlimited Tax Bonds, Series 2021 (the "Bonds") are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature as serial bonds on May 1 in each of the years 2022 through 2031, both inclusive, and 2034 through 2038, both inclusive, and as term bonds on May 1 in each of the years 2033, 2040, 2042 and 2045 (the "Term Bonds") in the principal amounts set forth on the cover page hereof. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from January 1, 2021, at the rates per annum set forth on the cover page hereof, and is payable May 1, 2021, and each November 1 and May 1 thereafter, until the earlier of maturity or redemption. See "THE BONDS."

Book-Entry-Only System… The Depository Trust Company (defined as "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 May 1, 2027, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on May 1, 2026, 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 the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, Bond proceeds will be used pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.

Authority for Issuance... The Bonds are the eighteenth series of bonds issued out of an aggregate of $243,900,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing and/or acquiring a water, wastewater and drainage system (the "Facilities") and for refunding outstanding debt. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Order, an election held in the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance."

Source of Payment... Principal of and interest on the Bonds and the Outstanding 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 or any entity other than the District. See "THE BONDS—Source and Security of Payment."

Municipal Bond Rating and Municipal Bond Insurance... It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign municipal a bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). Moody's Investors Service has also assigned an underlying rating of "A1" to the Bonds. An explanation of their ratings may be obtained from S&P or Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

Bond Counsel... Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."

Financial Advisor... Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Disclosure Counsel... McCall Parkhurst & Horton L.L.P., Disclosure Counsel, Houston, Texas.

Paying Agent/Registrar... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

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	$2,261,745,868	(a)
Estimated Taxable Assessed Valuation as of September 1, 2020	$2,301,292,265	(b)
Gross Direct Debt Outstanding	$145,975,000	(c)
Estimated Overlapping Debt	132,215,731	(d)
Gross Direct Debt and Estimated Overlapping Debt	$278,190,731	
Ratios of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	6.45%	
Estimated Taxable Assessed Valuation as of September 1, 2020	6.34%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	12.30%	
Estimated Taxable Assessed Valuation as of September 1, 2020	12.09%	
Debt Service Funds Available as of November 19, 2020	$9,399,397	(e)
Operating Funds Available as of November 19, 2020	$15,607,662	
Capital Projects Funds Available as of November 19, 2020	$23,210,129	
2020 Debt Service Tax Rate	$0.58	
2020 Maintenance Tax Rate	0.17	
2020 Total Tax Rate	$0.75	
Average Annual Debt Service Requirement (2021-2045)	$7,516,902	(f)
Maximum Annual Debt Service Requirement (2022)	$13,893,166	(f)
Tax Rates Required to Pay Average Annual Debt Service (2021-2045) at a 95% Collection Rate		
Based upon 2020 Taxable Assessed Valuation	$0.35	(g)
Based upon Estimated Taxable Assessed Valuation as of September 1, 2020	$0.35	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate		
Based upon 2020 Taxable Assessed Valuation	$0.65	(g)
Based upon Estimated Taxable Assessed Valuation as of September 1, 2020	$0.64	(g)
Status of Development as of November 19, 2020 (h):		
Total Developed Lots	7,649	
Homes Completed (7,310 occupied homes, 20 unoccupied homes)	7,330	
Homes Under Construction or in a Builder's Name	60	
Lots Available for Construction	259	
Estimated Population	25,585 (i)	

(a) The Harris County Appraisal District (the "Appraisal District") has certified $2,154,245,919 of taxable value and an additional $107,499,949 of taxable value remains uncertified. The uncertified value is the landowner's opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on September 1, 2020. Increases in value that occur between January 1, 2020 and September 1, 2020 will be assessed for purposes of taxation on January 1, 2021. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."

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

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

(e) Neither the Bond Order nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

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

(g) See "TAX DATA—Tax Adequacy for Debt Service."

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

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

OFFICIAL STATEMENT

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
(A political subdivision of the State of Texas located within Harris County)

$8,845,000
UNLIMITED TAX BONDS
SERIES 2021

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Northwest Harris County Municipal Utility District No. 5 (the "District") of its $8,845,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to 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, the order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ") and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District 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 Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 100, Houston, Texas 77019, upon payment of duplication costs.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. The Bond Order prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated January 1, 2021, with interest payable on May 1, 2021, and on each November 1 and May 1 thereafter (each an "Interest Payment Date") until maturity or redemption. The Bonds mature on May 1 in each of the years and in the principal amounts and bear interest at the rates shown under "MATURITY SCHEDULE" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, National Association, having its principal payment office in Dallas, Texas as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year.

Record Date

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

Source and Security of Payment

The Bonds, together with the Outstanding Bonds and any additional unlimited tax bonds issued hereafter, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of the entire water, sanitary sewer and drainage system will be used as described in the Bond Order or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a description of the use of Bond proceeds and the projects related thereto.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water, sewer and drainage system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and wastewater system and the District's storm drainage system, recreational facilities and street lights in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses, and to the extent they are ever necessary, after any payments pledged pursuant to the requirements of the Bonds, may be used by the District for any lawful purposes.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on May 1, in each of the years 2033, 2040, 2042, and 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 May 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$740,000 Term Bonds
Due May 1, 2033

Mandatory Redemption Date	Principal Amount
2032	$ 370,000
2033 (maturity)	370,000

$730,000 Term Bonds
Due May 1, 2040

Mandatory Redemption Date	Principal Amount
2039	$ 365,000
2040 (maturity)	365,000

$730,000 Term Bonds
Due May 1, 2042

Mandatory Redemption Date	Principal Amount
2041	$ 365,000
2042 (maturity)	365,000

$1,095,000 Term Bonds
Due May 1, 2045

Mandatory Redemption Date	Principal Amount
2043	$ 365,000
2044	365,000
2045 (maturity)	365,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term 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 Order. 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 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 and after May 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on May 1, 2026, 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).

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 within any one maturity 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 have been 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 a bond election held within the District, the voters of the District authorized the issuance of $243,900,000 principal amount of bonds for the purpose of constructing and/or acquiring a water, wastewater and drainage system (the "Facilities") and for refunding outstanding debt. The Bonds are being issued pursuant to such authorization. See "Issuance of Additional Debt" below.

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

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

The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the bond register on behalf of the District.

Replacement of Paying Agent/Registrar

Provisions are made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Issuance of Additional Debt

The District's voters have authorized the issuance of $243,900,000 principal amount of bonds for the purpose of constructing and/or acquiring a water, wastewater and drainage system (the "Facilities") and refunding outstanding debt of the District and could authorize additional amounts. After the issuance of the Bonds, $25,020,000 principal amount of unlimited tax bonds for constructing and/or acquiring the Facilities and/or refunding outstanding bonds will remain authorized but unissued.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has prepared and adopted a detailed park plan and at an election held on May 9, 2009, the voters of the District authorized the issuance of $8,000,000 principal amount of unlimited tax bonds for constructing and/or acquiring parks and recreational facilities, all of which has been issued.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional bonds could dilute the investment security for the Bonds.

Annexation by the City of Houston

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

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

Strategic Partnership

On December 20, 2007, and amended May 14, 2014, the District entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" of that portion of the District developed for retail and commercial purposes in order to apply certain City of Houston health, safety, planning and zoning ordinances within the District. Residential development within the District is not subject to the limited purpose annexation. The SPA also provides that the City of Houston will not annex the District for "full purposes" for at least thirty (30) years (December 20, 2037). Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, and drainage facilities must be assumed by the City of Houston to the maximum extent permitted by Commission rules.

Upon execution of the SPA, the City of Houston imposed the one percent (1%) retail City of Houston Sales Tax within the portion of the District included in the limited purpose annexation. The City of Houston pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City of Houston from the Comptroller (herein defined as the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use the Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds.

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. 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 Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing the discharge amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to 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 depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by BGE, Inc., the District's engineer (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 review by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

I.	**CONSTRUCTION COSTS**		
	• Construction Costs Approved by the TCEQ	$	8,028,450
	• Engineering		1,324,694
	• Contingency		802,845
	• Geotechnical and Materials Testing		117,689
	• Less: Surplus Funds Applied		(668,200)
	• Less: Change in Scope Funds		(1,531,800)
	Total Construction Costs	**$**	**8,073,678**
II.	**NON-CONSTRUCTION COSTS**		
	• Underwriter's Discount (a)		67,535
	Total Non-Construction Costs	**$**	**67,535**
III.	**ISSUANCE COSTS AND FEES**		
	• Issuance Costs and Professional Fees	$	425,014
	• Bond Application Report		50,000
	• State Regulatory Fees		30,958
	• Contingency (a)		197,815
	Total Issuance Costs and Fees	**$**	**703,787**
	TOTAL BOND ISSUE	**$**	**8,845,000**

(a) The TCEQ approved a maximum Underwriter's discount of 3.00%. Contingency represents the difference in the estimated and actual amount of Underwriter's discount.

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code. The District was created by an Order of the Texas Water Rights Commission, predecessor to the TCEQ dated December 3, 1974, and confirmed at an election held within the District on April 3, 1976. The District is vested with all of the rights, privileges, authority and functions conferred by the general laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate, acquire, own, and maintain water and wastewater facilities and improvements and to provide for the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the TCEQ and the District's voters of the District's plans in such regard. The District is also empowered to provide for parks and recreation facilities and solid waste disposal services. The District is subject to the continuing supervision of the TCEQ.

Description and Location

The District contains approximately 2,830 acres of land. The District is located approximately 25 miles northwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston. A portion of the District is within the boundaries of the Cypress-Fairbanks Independent School District and the remaining portion of the District is within the boundaries of the Tomball Independent School District. Access to the District is by U.S. Highway 290 to Spring-Cypress Road. See "INVESTMENT CONSIDERATIONS—Future Debt" and "AERIAL PHOTOGRAPH."

Land Use

The District currently includes approximately 2,017 developed acres of single-family residential development (7,649 lots), construction is underway for 148 single-family residential lots on approximately 35 acres with completion expected by early 2021, approximately 523 undevelopable acres (utility sites, drainage and easements), approximately 65 acres developed for commercial purposes and approximately 190 developable acres that have not been fully provided with water distribution, wastewater collection and storm drainage facilities.

Status of Development

Single Family Residential: The District encompasses approximately 2,830 acres, of which approximately 2,017 acres (approximately 7,649 lots) have been developed as the single-family residential subdivisions of Fairwood, Lakewood Oaks Estates, Village Creek, Rock Creek, The Reserve at Cypress Creek, The Village of Indian Trails, Villages on Grant, Lakes at NorthPointe, Forest Creek Farms, Oakcrest, Oakcrest North, Grant Meadows, Treeline and Wildwood at Northpointe, Enclave at NorthPointe, Valencia Pines and Hayden Lakes. In addition, construction is underway for 148 single-family residential lots on approximately 35 acres in Willow Wood Place and Telge Ranch with completion expected by early 2021. Homes within the District have a market value ranging from approximately $100,000 to $800,000 with an average market value of approximately $308,000 for 2020. As of November 19, 2020, the District had 7,310 active residential connections, 20 unoccupied homes, 60 homes under construction or in a builder's name and 259 vacant developed lots. The estimated population of the District is 25,585 based upon 3.5 persons per occupied single family residence.

Homebuilders actively conducting building programs within the District include Ashton Woods Homes, Brighton Homes, Highland Homes, I-Homes, K Hovnanian Homes, Newmark Homes, Lennar Homes, Long Lake Ltd., Perry Homes, KB Homes and Village Builders.

Commercial: Approximately 65 acres have been developed for commercial use. Commercial development in the District consists of an HEB grocery store, a storage facility, two retail shopping centers, three gas stations, an orthodontist office, an urgent care center, two daycares, and a swim school.

Other: There are currently approximately 190 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 523 undevelopable acres in the District.

Future Development

The District is currently planned as a primarily single-family residential development. Approximately 190 developable acres of land currently within the District are not yet fully served with Facilities. While the District anticipates future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. The Engineer has stated that under current development plans, the authorized but unissued bonds ($25,020,000) should be sufficient to finance the construction of the Facilities to complete the District's water, wastewater and drainage system for full development of the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

THE DEVELOPERS

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 Developers 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 of taxable improvements constructed upon property within the District will be successful. See "INVESTMENT CONSIDERATIONS."

The Developers (as herein defined) have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developers' financial conditions are subject to change at any time. Neither the Developers nor any affiliate of the Developers, if any, is obligated to pay principal of or interest on the Bonds. Furthermore, the Developers have no binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developers

Development of the District began in the 1970s. The District has been developed as a predominantly single-family residential development. The most recent development of lots has been completed or is ongoing by Caldwell Companies, Lennar Homes of Texas, Riverway Properties, NorthPointe Development Partners, Flair Builders LLC and Beazer Homes. Such entities are collectively referred to herein as the "Developers." See "INVESTMENT CONSIDERATIONS—Future Debt."

None of the Developers, nor any affiliates of the Developers are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. None of the Developers, nor any affiliates of the Developers have any legal commitment to the District or the owners of the Bonds to continue development of the land within the District, and the Developers may sell or otherwise dispose of property within the District, or any assets, at any time.

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 staggered four-year terms and elections are held in May in even numbered years only. All of the Board members reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Jeff Collins	President	May 2022
Larry L. Milberger	Vice President	May 2024
Jim Adams	Secretary	May 2022
Charles Fischer	Treasurer	May 2024
H. Bruce Gallun	Director	May 2024

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 Smith, Murdaugh, Little & Bonham, L.L.P. 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 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: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the TCEQ. The District's financial statements for the year ended July 31, 2020, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's July 31, 2020, financial statements.

Engineer: The District's engineer is BGE, Inc. (the "Engineer").

Tax Appraisal/Collection: The Harris County Appraisal District has the responsibility of appraising all property within the District. The District has contracted with the Harris County Tax Assessor to collect the District's taxes. See "TAXING PROCEDURES."

Bookkeeper: The District has contracted with Municipal Accounts and Consulting, LP (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's internal water and wastewater system is Municipal District Services, LLC (the "Operator").

PARK AND RECREATIONAL FACILITIES

The existing park and recreational facilities within the District include green spaces, recreational centers, trail systems and amenity ponds located in the various subdivisions. There are currently 16 homeowner's associations in the District that maintain each of these facilities located within each respective community.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it 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. 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 Flood Control District. Harris County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Wastewater and Drainage System

Water Supply: The District currently owns and operates four water plants and five water wells. Water Plant No. 1 consists of one 837 gallon per minute ("gpm") well, one 10,000 gallon and one 15,000 gallon pressure tank, a 420,000 gallon ground storage tank, a 500,000 gallon ground storage tank, and three booster pumps totaling 2,500 gpm. Water Plant No. 2 consists of an 924 gpm water well, an 1,528 gpm water well, two 400,000 gallon ground storage tanks, two 20,000 gallon pressure tanks and three booster pumps with a total capacity of 3,000 gpm. Water Plant No. 3 consists of a 1,792 gpm water well, two 600,000 gallon ground storage tanks, three 30,000 gallon pressure tanks, and six booster pumps totaling 8,400 gpm. Water Plant No. 4 consists of a 1,234 gpm well, a 300,000 gallon ground storage tank, a 15,000 gallon pressure tank, and four booster pumps totaling 3,500 gpm. According to the District's Engineer, the District's existing water supply facilities have the capacity to serve approximately 8,500 single family equivalent connections. As of November 19, 2020, the District was serving 7,390 active connections (including 60 homes under construction or in a builder's name and 20 unoccupied homes).

The District has an interconnect agreement with Harris County Municipal Utility District No. 360 and an agreement with Harris County Municipal Utility District No. 416 to provide services to 300 single-family residential connections in MUD 416.

Water Supply Contract: The District entered into a water supply contract ("Water Supply Contract") with South Central Water Company dated July 27, 2010, which was amended on February 14, 2011, and later assigned by South Central Water Company to Quadvest, L.P. The Water Supply Contract provided for construction of a 12" water line from the District's water distribution system to a point of delivery to Quadvest for service to the Shaw Acres subdivision. Quadvest has paid the District $4.6 million in three installments pursuant to the Water Supply Contract and pays a monthly fee of $2.45 per thousand gallons of water delivered, plus all associated fees, including fees charged by the North Harris County Regional Water Authority. The monthly rate will be adjusted from time to time as rates are adjusted inside the District's boundaries.

Subsidence and Conversion to Surface Water Supply: The District is 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 1999, the Texas legislature created the North Harris County Regional Water Authority ("Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District is 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's groundwater well(s) are included within the Authority's GRP. The 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 District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the 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 of $9.24 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total 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 District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

Wastewater Treatment: The District currently owns and operates an 800,000 gpd wastewater treatment plant which is sufficient to serve approximately 3,125 single-family equivalent connections and a 1,250,000 gpd wastewater treatment plant which is sufficient to serve approximately 4,882 single family equivalent connections. Additionally, the District owns 809,250 gpd in a regional wastewater treatment plant that is operated by Northwest Harris County MUD No. 15 which is sufficient to serve approximately 3,161 single family equivalent connections. Combined, the District has capacity in the plants of 2,859,250 gpd which will serve approximately 11,168 equivalent single family equivalent connections. As of November 19, 2020, the District was serving 7,390 active connections (including 60 homes under construction or in a builder's name and 20 unoccupied homes).

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 7,649 lots in the District and approximately 65 acres of commercial development. See "THE DISTRICT—Land Use."

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

According the District's Engineer, maps prepared by Federal Emergency Management Agency ("FEMA") indicate that a portion of Grant Meadows, Section Three is located in the flood plain. A letter of map revision has been processed to remove the developed parts of the subdivision from the flood plain. One lot within Oakcrest Section 5 has been filled, and a LOMR-F has been granted removing it from the official floodplain. The sites for the Grant Meadows North Detention Pond and the Oakcrest Detention Pond are currently in the floodplain, and will not be removed. These projects are detention within the floodplain. None of the developed lots in the District are located in the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

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

General Operating Fund

The Outstanding Bonds and the 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. Net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended July 31, 2016, through July 31, 2020, 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.

	Fiscal Year Ended July 31,				
	2020	2019	2018	2017	2016
Revenues:					
Property Taxes	$ 3,553,225	$ 1,727,342	$ 1,405,604	$ 1,114,008	$ 666,693
Sales Tax Revenue	63,898	43,805	42,485	32,386	22,054
Water and Sewer Service	4,876,985	4,388,523	4,331,703	4,101,013	3,691,617
Regional Water Fee	4,869,404	3,688,464	3,491,139	2,896,796	2,227,266
Penalty and Interest	110,997	151,884	88,503	96,148	74,783
Tap Connection and Inspection	700,646	808,040	943,499	840,260	889,455
Investment Revenues	223,751	288,630	147,829	46,781	13,703
Regional Water Authority Reimbursements	64,995	64,995	64,995	64,995	64,995
Other Income	46,663	63,948	198,048	241,907	204,650
Total Revenue	$ 14,510,564	$ 11,225,631	$ 10,713,805	$ 9,434,294	$ 7,855,216
Expenditures:					
Purchased Services	$ 860,418	$ 1,222,810	$ 1,136,357	$ 937,637	$ 876,893
Professional Fees	647,386	552,534	505,866	430,922	402,834
Salaries and Benefits	-	-	-	-	-
Contracted Services	2,255,453	2,092,996	1,850,876	1,683,820	1,539,550
Utilities	461,761	428,807	438,673	442,731	485,804
Regional Water Authority (b)	4,092,094	2,816,995	2,572,637	2,049,846	1,452,404
Repairs and Maintenance	1,848,176	4,394,911 (b)	1,587,833	1,324,649	908,491
Other	1,089,008	1,102,637	1,240,852	886,559	844,833
Capital Outlay	356,424	21,494	793,796	160,692	308,097
Bond Issuance Costs	15,000	-	68,238	85,379	6,833
Total Expenditures	$ 11,625,720	$ 12,633,184	$ 10,195,128	$ 8,002,235	$ 6,825,739
NET REVENUES	$ 2,884,844	$ (1,407,553)	$ 518,677	$ 1,432,059	$ 1,029,477
Other Financing Sources(a)	$ 163,651	$ 3,187,816	$ 203,523	$ -	$ 329,443
General Operating Fund Balance (Beginning of Year)	$ 12,400,964	$ 10,620,701	$ 9,898,501	$ 8,466,442	$ 7,107,522
General Operating Fund Balance (End of Year)	$ 15,449,459	$ 12,400,964	$ 10,620,701	$ 9,898,501	$ 8,466,442

(a) Transfers from Capital Projects.
(b) Represents costs associated with the installation of smart meters in the amount of $2,394,517 with the remaining amount consisting of repairs and maintenance for the District's water and wastewater system, detention ponds and landscaping.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Taxable Assessed Valuation	$2,261,745,868	(a)
Estimated Taxable Assessed Valuation as of September 1, 2020	$2,301,292,265	(b)
Gross Direct Debt Outstanding	$145,975,000	(c)
Estimated Overlapping Debt	132,215,731	(d)
Gross Direct Debt and Estimated Overlapping Debt	$278,190,731	
Ratios of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	6.45%	
Estimated Taxable Assessed Valuation as of September 1, 2020	6.34%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	12.30%	
Estimated Taxable Assessed Valuation as of September 1, 2020	12.09%	
Debt Service Funds Available as of November 19, 2020	$9,399,397	(e)
Operating Funds Available as of November 19, 2020	$15,607,662	
Capital Projects Funds Available as of November 19, 2020	$23,210,129	

(a) The Harris County Appraisal District (the "Appraisal District") has certified $2,154,245,919 of taxable value and an additional $107,499,949 of taxable value remains uncertified. The uncertified value is the landowner's opinion of the value; however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on September 1, 2020. Increases in value that occur between January 1, 2020 and September 1, 2020 will be assessed for purposes of taxation on January 1, 2020. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."

(c) Includes the Bonds and the Outstanding Bonds. See "Outstanding Bonds" herein.

(d) See "Estimated Overlapping Debt" and "—Overlapping Taxes" herein.

(e) Neither the Bond Order nor Texas law require that the District maintain any particular balance in the Debt Service Fund.

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 Debt

The District has previously issued seventeen series of unlimited tax bonds totaling $208,540,000 principal amount and six series of unlimited tax refunding bonds totaling $61,115,000 principal amount. The District has a total of $137,130,000 principal amount of bonds outstanding (the "Outstanding Bonds") as of the date hereof. The following table lists the Outstanding Bonds and the original principal amount.

Series		Original Principal Amount	Outstanding Bonds
2010	(a)	$ 11,470,000	$ 2,765,000
2013		9,660,000	7,290,000
2014	(a)	9,265,000	3,560,000
2015	(a)	17,475,000	13,125,000
2015A		31,945,000	26,605,000
2016	(a)	18,375,000	18,185,000
2017		24,690,000	21,615,000
2018		20,760,000	19,895,000
2018A	(b)	8,000,000	7,665,000
2019		17,140,000	16,425,000
Total		$ 168,780,000	$ 137,130,000

(a) Unlimited tax refunding bonds.
(b) Unlimited tax park bonds.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see "Outstanding Debt" in this section) and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: The Bonds Principal	Interest	Total	Total Debt Service Requirements
2021	$ 13,465,443.75	$ -	$ 133,156.25	$ 133,156.25	$ 13,598,600.00
2022	13,368,928.13	370,000	154,237.50	524,237.50	13,893,165.63
2023	13,281,218.77	370,000	143,137.50	513,137.50	13,794,356.27
2024	12,286,287.50	370,000	132,037.50	502,037.50	12,788,325.00
2025	12,218,512.50	370,000	120,937.50	490,937.50	12,709,450.00
2026	10,666,300.00	370,000	113,537.50	483,537.50	11,149,837.50
2027	10,568,475.00	370,000	109,837.50	479,837.50	11,048,312.50
2028	8,651,862.50	370,000	106,137.50	476,137.50	9,128,000.00
2029	8,545,928.13	370,000	102,437.50	472,437.50	9,018,365.63
2030	8,452,750.00	370,000	98,737.50	468,737.50	8,921,487.50
2031	8,336,934.00	370,000	94,575.00	464,575.00	8,801,509.00
2032	8,229,018.75	370,000	89,950.00	459,950.00	8,688,968.75
2033	6,232,681.25	370,000	85,325.00	455,325.00	6,688,006.25
2034	6,104,653.13	370,000	80,237.50	450,237.50	6,554,890.63
2035	5,292,803.13	370,000	74,456.25	444,456.25	5,737,259.38
2036	5,148,759.38	370,000	68,212.50	438,212.50	5,586,971.88
2037	5,008,328.13	370,000	61,506.25	431,506.25	5,439,834.38
2038	4,865,975.00	370,000	54,568.75	424,568.75	5,290,543.75
2039	4,722,428.13	365,000	47,450.00	412,450.00	5,134,878.13
2040	4,570,840.63	365,000	40,150.00	405,150.00	4,975,990.63
2041	3,116,065.63	365,000	32,850.00	397,850.00	3,513,915.63
2042	2,003,421.88	365,000	25,550.00	390,550.00	2,393,971.88
2043	1,938,056.25	365,000	18,250.00	383,250.00	2,321,306.25
2044	-	365,000	10,950.00	375,950.00	375,950.00
2045	-	365,000	3,650.00	368,650.00	368,650.00
Total	$ 177,075,671.57	$ 8,845,000	$ 2,001,875.00	$ 10,846,875.00	$ 187,922,546.57

Average Annual Debt Service Requirements (2021-2045) $7,516,902
Maximum Annual Debt Service Requirement (2022).. $13,893,166

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 the purposes of 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	Percent	Overlapping Amount
Harris County	$1,966,627,125	9/30/20	0.45%	$ 8,849,822
Harris County Flood Control District	83,075,000	9/30/20	0.45%	373,838
Harris County Hospital District	86,050,000	9/30/20	0.45%	387,225
Harris County Department of Education	6,320,000	9/30/20	0.45%	28,440
Port of Houston Authority	531,699,397	9/30/20	0.45%	2,392,647
NorthPointe WC&ID (a)	18,430,000	9/30/20	5.83%	1,074,469
Lone Star College	555,415,00	9/30/20	0.87%	5,059,877
Tomball Independent School District	592,880,000	9/30/20	9.21%	54,604,248
Cypress-Fairbanks Independent School District	3,048,470,000	9/30/20	1.95%	59,445,165
Total Estimated Overlapping Debt				$ 132,215,731
The District's Total Direct Debt (b)				145,975,000
Total Direct and Estimated Overlapping Debt				$278,190,731

Direct and Estimated Overlapping Debt as a Percentage of:
2020 Taxable Assessed Valuation of $2,261,745,868 .... 12.30%
Estimated Taxable Assessed Valuation as of September 1, 2020 of $2,301,292,265 .... 12.09%

(a) Approximately 283 acres within the District's boundaries are also within NorthPointe Water Control & Improvement District.
(b) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation and maintenance purposes.

Set forth below are all of the taxes levied for the 2020 tax year by all taxing jurisdictions overlapping the District and the 2020 tax rate levied by 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.

	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)	$0.63170
Cypress-Fairbanks Independent School District (a)	1.44000
Harris County Emergency Services District No. 13 (b)	0.10000
Lone Star College System	0.10780
Total Overlapping Tax Rate	$2.27950
The District	0.75000
Total Tax Rate (c)	$3.02950

(a) A portion of the District is located in the Cypress-Fairbanks Independent School District and the remaining portion of the District is located in the Tomball Independent School District. The Tomball Independent School District levied a $1.29 tax rate in 2020.
(b) A portion of the District is also located in Harris County Emergency Services District No. 11, which levied a 2020 tax rate of $0.03606, and Harris County Emergency Services District No. 9, which levied a 2020 tax rate of $0.05271.
(c) Approximately 283 acres within the District's boundaries are also within NorthPointe Water Control & Improvement District which levied a $0.27 tax rate in 2020.

TAX DATA

Debt Service Tax

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

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, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted May 7, 1988, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $0.50 per $100 taxable assessed valuation. 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	$ 0.58	$ 0.59	$ 0.68	$ 0.70	$ 0.71
Maintenance Tax	0.17	0.17	0.09	0.08	0.07
Total District Tax Rate	$ 0.75	$ 0.76	$ 0.77	$ 0.78	$ 0.78

Exemptions

As described in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For 2020, the District has exempted $15,000 of the taxable value of resident homesteads for persons who are disabled or 65 years of age or older.

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. 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.

	Certified Taxable Assessed Valuation (a)	Tax Rate	Total (b) Tax Levy	Total Collections As of 10/31/2020 (c)	
				Amount	Percent
2015	$ 1,036,197,487	$ 0.78	$ 8,082,340	$ 8,079,916	99.97%
2016	1,555,477,272	0.78	12,132,723	12,120,590	99.90%
2017	1,730,560,979	0.78	13,498,376	13,479,478	99.86%
2018	1,887,699,846	0.77	14,535,289	14,510,579	99.83%
2019	2,093,057,717	0.76	15,907,239	15,834,565	99.54%
2020	2,154,245,919	0.75	16,156,844	(d)	(d)

(a) As provided by the Appraisal District. See "Tax Roll Information" below.
(b) Represents actual tax levy, as of the date hereof.
(c) Unaudited.
(d) In the process of collection. Taxes for the 2020 tax year are due on January 31, 2021.

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 a breakdown of the 2016 through 2020 Taxable Assessed Valuations. Breakdowns of the uncertified portion of the 2020 Taxable Assessed Valuation of $2,261,745,868 and the Estimated Taxable Assessed Valuation as of September 1, 2020, of $2,301,292,265 are not currently available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data.

	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation	2016 Taxable Assessed Valuation
Land	$ 413,177,654	$ 392,665,171	$ 364,845,590	$ 342,765,045	$ 314,921,403
Improvements	1,785,725,596	1,741,109,624	1,560,517,931	1,420,296,735	1,269,369,759
Personal Property	19,621,041	27,375,391	20,318,697	20,222,136	23,810,381
Exemptions	(64,278,372)	(68,092,469)	(57,982,372)	(52,722,937)	(52,624,271)
Uncertified Value	107,499,949	-	-	-	-
Total	$ 2,261,745,868	$ 2,093,057,717	$ 1,887,699,846	$ 1,730,560,979	$ 1,555,477,272

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the certified portion ($2,154,245,919) of the 2020 Taxable Assessed Valuation of $2,261,745,868. Principal taxpayer lists related to the uncertified portion ($107,499,949) of the 2020 Taxable Assessed Valuation, of $2,261,745,868, and the Estimated Taxable Assessed Valuation as of September 1, 2020, of $2,301,292,265 are not currently available.

Taxpayer	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
HEB Grocery Company LP	$ 22,246,064	1.03%
Lennar Homes of Texas Land and Construction	18,492,152	0.86%
PS LPT Properties Investors	8,529,989	0.40%
CenterPoint Energy	6,494,400	0.30%
F6 Properties Ltd.	6,214,777	0.29%
Winland Spring Investments LLC	5,222,028	0.24%
Pineywoods Storage Oakcrest LLC	4,672,984	0.22%
Friendswood Development Company	4,567,572	0.21%
Grant Road & Spring Cypress LLC	4,411,805	0.20%
CW Spring Cypress Venture LP	3,108,622	0.14%
Total	$ 83,960,393	3.90%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2020 Taxable Assessed Valuation of $2,261,745,868 ($2,154,245,919 of certified value plus $107,499,949 of uncertified value) or the Estimated Taxable Assessed Valuation as of September 1, 2020 of $2,301,292,265. 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—Debt Service Requirements" and "TAX DATA—Tax Roll Information."

Average Annual Debt Service Requirement (2021-2045)	$7,516,902
$0.35 Tax Rate on the 2020 Taxable Assessed Valuation	$7,520,305
$0.35 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2020	$7,651,797
Maximum Annual Debt Service Requirement (2022)	$13,893,166
$0.65 Tax Rate on the 2020 Taxable Assessed Valuation	$13,966,281
$0.64 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2020	$13,991,857

No representations or suggestions are made that the uncertified portion ($107,499,949) of the 2020 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of September 1, 2020 of $2,301,292,265 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 Outstanding Bonds, the 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 Order to levy such a tax from year to year as described more fully herein under “THE BONDS—Source and Security of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District’s facilities. See “TAX DATA.”

Property Tax Code and County-Wide Appraisal District

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

The 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 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”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The District is responsible under current Texas law for the levy and collection of its taxes.

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 or older and of certain disabled persons to the extent deemed advisable by the Board. The District has adopted a residential homestead exemption in the amount of $10,000 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. 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. See “TAX DATA.”

Partially disabled veterans 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. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) 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 District has not granted a general homestead exemption.

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

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine certain terms for its tax abatement agreements without regard to such 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. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application individually. If a claimant receives the agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the three years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis on market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. Provisions of the Tax Code are complex and are not fully summarized here.

The 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 Tax Code. The 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. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement 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 tax payer 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 "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "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.

Low Tax Rate Districts: Low Tax Rate Districts that adopt a total tax rate that would impose more than1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District or a Developed District are 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 a rollback 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 Low Tax Rate District, Developed District or Developing District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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)—Estimated Overlapping Debt." 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, among other collection methods available, 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 homesteads as 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years for residential and agricultural property and within six (6) months for commercial and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS."

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, 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 and Security of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District 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 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").

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 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 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 such 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

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the Operator, the District's water and sewer system did not sustain any material damage and there was no interruption of water and sewer service. However, approximately 25 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 the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A majority 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 Developers 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 (see "Credit Market and Liquidity in the Financial Markets"), 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 adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity in the District, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles northwest from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 25 miles northwest from downtown Houston, could be affected by competition from other residential developments including other residential developments located in the southwestern portion of the Houston metropolitan area. 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 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 Developers will be implemented or, if implemented, will be successful.

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."

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 $243,900,000 principal amount of unlimited tax bonds for constructing and/or acquiring a water, wastewater and drainage system (the "Facilities") and for refunding outstanding debt and $8,000,000 principal amount of unlimited tax bonds for parks and recreational facilities have been authorized by the District's voters. After the issuance of the Bonds, $25,020,000 principal amount of the unlimited tax bonds for constructing and/or acquiring the Facilities and/or refunding outstanding bonds will remain authorized but unissued and no additional principal amount of unlimited tax bonds for constructing and/or acquiring recreational facilities remains 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.

To date, the Developers have advanced certain funds for construction of water, sewer and drainage facilities for which they have not been reimbursed. After the issuance of the Bonds, the District will owe the Developers approximately $5,500,000 plus interest for construction of such facilities paid on behalf of the District. The District intends to issue additional bonds in order to reimburse the Developers and develop the remainder of undeveloped but developable land (approximately 190 acres). 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 is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulation and Air Quality

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 adopted the HGB Redesignation Request and Maintenance Plan for the One-Hour and 1997 Eight-Hour Ozone Standards SIP Revision on December 12, 2018. The SIP revision was submitted to the EPA on December 14, 2018 and includes a request that the HGB area be formally redesignated to attainment for the 1997 eight-hour ozone NAAQS. On May 16, 2019, the EPA proposed: a determination that the HGB area has met redesignation criteria and is continuing to attain the one-hour and 1997 eight-hour ozone NAAQS; termination of the anti-backsliding obligations; and approval of the maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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.

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 became 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.

Marketability of the Bonds

The District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds 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 Order 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 "TAXING MATTERS."

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the 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 have 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.

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.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled "TAX MATTERS."

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of 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 of the information contained herein. The legal fees to be paid 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 on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Underwriters to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the OFFICIAL STATEMENT, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Discount Bonds

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

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

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

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

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

Federal Income Tax Accounting Treatment of Premium Bonds

The initial public offering price of certain Bonds (the “Premium Bonds”) is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the underwriter of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such underwriter must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an underwriter is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Collateral Federal Income Tax Consequence

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

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

The District has **NOT** designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's Investors Service ("Moody's") has also assigned an underlying rating of "A1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's, respectively. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and " APPENDIX B."

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's if, in their judgment, circumstances so warrant. Any such revisions or withdrawal of the 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, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.3 million, $158.1 million and $347.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT have been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, 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.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Appraisal District.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE 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: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the TCEQ. The District's financial statements for the year ended July 31, 2020, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's July 31, 2020, financial statements.

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 elect 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 Order, the District has made the following agreement for the benefit of the Registered Owners and Beneficial Owners. 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 and material events, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") or any successor to its functions as a repository through the MSRB's system. This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this OFFICIAL STATEMENT under the headings titled "THE SYSTEM—General Operating Fund," "TAX DATA," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" (except "Estimated Overlapping Debt") and in "APPENDIX A—Audited Financial Statements." The District will update and provide this information to EMMA within six months after the end of each fiscal year.

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

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

Material Event Notices

The District will provide timely notices of certain events to the MSRB via EMMA, but in no event will such notices be provided 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) nonpayment 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "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 the 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 the 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 holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt 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 holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order 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 Underwriters 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

In connection with the District's 2016 annual continuing disclosure filing, the District filed an update to include the "Classification of Assessed Valuation." The District filed such information with respect to the current fiscal year ended 2015. Except as described herein, for the past five years, the District has complied in all material respects with its previous continuing disclosure agreements. The District has taken steps to ensure that its continuing disclosure in future fiscal years will be filed in a timely manner.

MISCELLANEOUS

All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any 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.

/s/ Jeff Collins
President, Board of Directors

ATTEST:

/s/ Jim Adams
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of October 2020)


Telge Rd.
N
Louetta Rd.
Northwest Harris County Municipal Utility District No. 5

PHOTOGRAPHS OF THE DISTRICT
(As of October 2020)


13610


SOLD
AVAILABLE


H-E-B
Pharmacy


PATIENT DROP-OFF
EMERGENCY
URGENT CARE
AMERICA'S ER
MEDICAL CENTER
13902


COPPER KETTLE
CHOCOLATE FACTORY
NAILS
SPA PALACE
iLoveKickboxing.com
FIRM
Child Care Academy


FOR LEASE
281-401-9056

APPENDIX A

The information contained in this appendix includes the Auditor's Report and Financial Statements of Northwest Harris County Municipal Utility District No. 5 and certain supplemental information for the fiscal year ended July 31, 2020.

NORTHWEST HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 5

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

NORTHWEST HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 5

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2020

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Harris County
Municipal Utility District No. 5
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Harris County Municipal Utility District No. 5 (the "District"), as of and for the year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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 July 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Northwest Harris County
Municipal Utility District No. 5

Emphasis of Matter

As described in Note 17 to the financial statements, the District's government-wide financial statements as of and for the year ended July 31, 2019 have been restated to correct certain misstatements. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 19, 2020

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2020

Management's discussion and analysis of Northwest Harris County Municipal Utility District No. 5's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by $39,019,309 as of July 31, 2020.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings and equipment as well as water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding).

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019 *	Change Positive (Negative)
Current and Other Assets	$ 55,139,132	$ 46,430,160	$ 8,708,972
Capital Assets (Net of Accumulated Depreciation)	125,995,791	127,828,918	(1,833,127)
Total Assets	$ 181,134,923	$ 174,259,078	$ 6,875,845
Deferred Outflows of Resources	$ 2,087,995	$ 2,341,216	$ (253,221)
Long-Term Liabilities	$ 130,060,560	$ 122,999,555	$ (7,061,005)
Due to Developers	642,700	9,097,485	8,454,785
Other Liabilities	13,500,349	12,130,675	(1,369,674)
Total Liabilities	$ 144,203,609	$ 144,227,715	$ 24,106
Net Position:			
Net Investment in Capital Assets	$ 11,944,554	$ 7,366,256	$ 4,578,298
Restricted	10,744,006	11,716,398	(972,392)
Unrestricted	16,330,749	13,289,925	3,040,824
Total Net Position	$ 39,019,309	$ 32,372,579	$ 6,646,730

The following table provides a summary of the District's operations for the years ended July 31, 2020, and July 31, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019 *	Change Positive (Negative)
Revenues:			
Property Taxes	$ 15,931,403	$ 14,578,989	$ 1,352,414
Sales Tax Receipts	63,898	43,805	20,093
Charges for Services	10,618,918	9,129,761	1,489,157
Other Revenues	903,748	1,172,880	(269,132)
Total Revenues	$ 27,517,967	$ 24,925,435	$ 2,592,532
Expenses for Services	20,871,237	22,735,140	1,863,903
Change in Net Position	$ 6,646,730	$ 2,190,295	$ 4,456,435
Net Position, Beginning of Year	32,372,579	30,182,284	2,190,295
Net Position, End of Year	$ 39,019,309	$ 32,372,579	$ 6,646,730

* As Adjusted, See Note 17

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of July 31, 2020, were $50,909,274, an increase of $8,271,582 from the prior year.

The General Fund fund balance increased by $3,048,495, primarily due to operating revenues exceeding operating expenditures and a transfer from the Capital Projects Fund.

The Debt Service Fund fund balance decreased by $972,779, primarily due to the structure of the District's debt service payments.

The Capital Projects Fund fund balance increased by $6,195,866, primarily due to the sale of Series 2019 bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did amend the budget during the fiscal year to increase estimated property taxes and regional water authority fees, increase estimated regional water authority assessments and capital outlay and decrease estimated repairs and maintenance and purchased water service. Actual revenues were $649,164 more than budgeted revenues. Actual expenditures were $36,378 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of July 31, 2020, total $125,995,791 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. Significant capital asset events during the current fiscal year included sanitary sewer improvements for the Learning Experience and facilities to serve Copper Ridge at Indian Trails, Section 1 and Telge Ranch, Section 3.

Construction in progress includes Telge Road waterline relocation, landscaping design for parks and trails and Water Plant No. 5.

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation

	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 11,147,709	$ 11,147,709	$
Construction in Progress	2,427,939	1,395,121	1,032,818
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	162,967	172,589	(9,622)
Water System	25,561,430	26,515,349	(953,919)
Wastewater System	38,710,652	39,523,378	(812,726)
Drainage System	47,985,094	49,074,772	(1,089,678)
Total Net Capital Assets	$ 125,995,791	$ 127,828,918	$ (1,833,127)

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

LONG-TERM DEBT ACTIVITY

As of July 31, 2020, the District had total long-term debt payable of $137,130,000. The changes in the debt position of the District during the fiscal year ended July 31, 2020, are summarized as follows:

Bond Debt Payable, August 1, 2019	$ 129,035,000
Add: Series 2019 Sale	17,140,000
Less: Bond Principal Paid	9,045,000
Bond Debt Payable, July 31, 2020	$ 137,130,000

On October 22, 2019, the District issued $17,140,000 Unlimited Tax Bonds, Series 2019 with interest rates ranging from 2.00% to 4.00%. The net proceeds were used to finance construction and land costs associated with water, wastewater and drainage facilities and to pay for future bond interest and subsequent bond issue costs.

The District's bonds carry an underlying rating of "A1" from Moody's Investors Service except for the Series 2010 Refunding bonds which are unrated.

LONG-TERM DEBT ACTIVITY (Continued)

The Series 2013 Bonds and Series 2016 Refunding Bonds carry insured ratings of "A2" and "AA" and the Series 2018 Bonds, Series 2018A Bonds and Series 2019 Bonds carry insured ratings of "AA" based on insurance issued by Assured Guaranty Municipal Corporation.

The Series 2014 Refunding Bonds carry an insured rating of "AA" based on insurance issued by Municipal Assurance Corporation.

The Series 2015 Refunding Bonds, the Series 2015A and Series 2017 Bonds carry an insured rating of "AA" based on insurance issued by Build America Mutual Assurance Company.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2021 projects an increase of $3,336,264 in General Fund fund balance. Compared to the fiscal year 2020 amended budget, revenues are expected to increase by approximately $1,410,000 and expenditures are expected to increase by approximately $437,000. The fiscal year 2020 tax rate has been established at $0.75 on each $100 of taxable value. Approximately 23% of the property tax will be used to fund general operations with the remaining 77% of the property tax set aside for debt service.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Northwest Harris County Municipal Utility District No. 5, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

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NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 1,671,381	$ 2,206
Investments	15,070,504	11,578,939
Cash with Harris County Tax Office	4,890	16,704
Receivables:		
Property Taxes	32,140	152,247
Penalty and Interest on Delinquent Taxes		
Service Accounts	1,214,220	
Accrued Interest	26,313	8,834
Due from Other Government	9,055	22,440
Due from Other Funds		11,664
Prepaid Costs	124,060	
Advance for Regional Wastewater Treatment Plant Operations	87,840	
Regional Water Authority Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 18,240,403	$ 11,793,034
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 18,240,403	$ 11,793,034

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 100	$ 1,673,687	$	$ 1,673,687
24,233,098	50,882,541		50,882,541
	21,594		21,594
	184,387		184,387
		35,011	35,011
	1,214,220		1,214,220
	35,147		35,147
	31,495		31,495
	11,664	(11,664)	
	124,060	80,037	204,097
	87,840		87,840
		769,113	769,113
		11,147,709	11,147,709
		2,427,939	2,427,939
		112,420,143	112,420,143
$ 24,233,198	$ 54,266,635	$ 126,868,288	$ 181,134,923
$ -0-	$ -0-	$ 2,087,995	$ 2,087,995
$ 24,233,198	$ 54,266,635	$ 128,956,283	$ 183,222,918

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

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 1,332,142	$
Accrued Interest Payable		
Due to Other Governments	12,598	
Retainage Payable		
Due to Developers		
Due to Other Funds	11,664	
Security Deposits	1,402,400	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	$ 2,758,804	$ - 0 -
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 32,140	$ 152,247
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 124,060	$
Advance for Wastewater Treatment Plant Operations	87,840	
Restricted for Authorized Construction		
Restricted for Debt Service		11,640,787
Unassigned	15,237,559	
TOTAL FUND BALANCES	$ 15,449,459	$ 11,640,787
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 18,240,403	$ 11,793,034
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 365,610	$ 1,697,752	$	$ 1,697,752
		1,084,039	1,084,039
	12,598		12,598
48,560	48,560		48,560
		642,700	642,700
	11,664	(11,664)	
	1,402,400		1,402,400
		9,255,000	9,255,000
		130,060,560	130,060,560
$ 414,170	$ 3,172,974	$ 141,030,635	$ 144,203,609
$ - 0 -	$ 184,387	$ (184,387)	$ - 0 -
$	$ 124,060	$ (124,060)	$
	87,840	(87,840)	
23,819,028	23,819,028	(23,819,028)	
	11,640,787	(11,640,787)	
	15,237,559	(15,237,559)	
$ 23,819,028	$ 50,909,274	$ (50,909,274)	$ - 0 -
$ 24,233,198	$ 54,266,635		
		$ 11,944,554	$ 11,944,554
		10,744,006	10,744,006
		16,330,749	16,330,749
		$ 39,019,309	$ 39,019,309

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

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2020

Total Fund Balances - Governmental Funds		$ 50,909,274
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activites and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		2,087,995
Bond insurance premiums paid at closing are amortized over the term of the debt in the government-wide financial statements.		80,037
Long-term receivables are not current financial resources and, therefore, are not reported as assets in the governmental funds.		769,113
Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		125,995,791
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenues in the governmental activities of the District.		219,398
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:		
Due to Developers	$ (642,700)	
Accrued Interest Payable	(1,084,039)	
Bonds Payable Within One Year	(9,255,000)	
Bonds Payable After One Year	(130,060,560)	(141,042,299)
Total Net Position - Governmental Activities		$ 39,019,309

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

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NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 3,553,225	$ 12,311,493
Sales Tax Receipts	63,898	
Water Service	2,454,266	
Wastewater Service	2,422,719	
Regional Water Authority Fees	4,869,404	
Penalty and Interest	110,997	62,011
Tap Connection and Inspection Fees	700,646	
Investment Revenues	223,751	252,338
Regional Water Authority Reimbursements	64,995	
Miscellaneous Revenues	46,663	244
TOTAL REVENUES	$ 14,510,564	$ 12,626,086
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 647,386	$ 13,530
Contracted Services	2,255,453	131,113
Purchased Water Service	570,465	
Purchased Wastewater Service	289,953	
Utilities	461,761	
Regional Water Authority Assessments	4,092,094	
Repairs and Maintenance	1,848,176	
Depreciation		
Other	1,088,478	65
Capital Outlay	356,424	
Developer Interest	530	
Debt Service:		
Bond Principal		9,045,000
Bond Interest		4,409,157
Bond Issuance Costs	15,000	
TOTAL EXPENDITURES/EXPENSES	$ 11,625,720	$ 13,598,865
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 2,884,844	$ (972,779)
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	$ 163,651	$
Long-Term Debt Issued		
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES, NET	$ 163,651	$ - 0 -
NET CHANGE IN FUND BALANCES	$ 3,048,495	$ (972,779)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2019, AS ADJUSTED	12,400,964	12,613,566
FUND BALANCES/NET POSITION - JULY 31, 2020	$ 15,449,459	$ 11,640,787

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 15,864,718	$ 66,685	$ 15,931,403
	63,898		63,898
	2,454,266		2,454,266
	2,422,719		2,422,719
	4,869,404		4,869,404
	173,008	(1,125)	171,883
	700,646		700,646
333,538	809,627	47,214	856,841
	64,995	(64,995)	
	46,907		46,907
$ 333,538	$ 27,470,188	$ 47,779	$ 27,517,967
$ 15,200	$ 676,116	$	$ 676,116
1,983	2,388,549		2,388,549
	570,465		570,465
	289,953		289,953
	461,761		461,761
	4,092,094		4,092,094
102,567	1,950,743		1,950,743
		3,827,412	3,827,412
3,472	1,092,015		1,092,015
9,806,251	10,162,675	(10,162,675)	
288,005	288,535	(286,395)	2,140
	9,045,000	(9,045,000)	
	4,409,157	83,051	4,492,208
1,012,781	1,027,781		1,027,781
$ 11,230,259	$ 36,454,844	$ (15,583,607)	$ 20,871,237
$ (10,896,721)	$ (8,984,656)	$ 15,631,386	$ 6,646,730
$ (163,651)	$	$	$
17,140,000	17,140,000	(17,140,000)	
(108,937)	(108,937)	108,937	
225,175	225,175	(225,175)	
$ 17,092,587	$ 17,256,238	$ (17,256,238)	$ - 0 -
$ 6,195,866	$ 8,271,582	$ (8,271,582)	$
		6,646,730	6,646,730
17,623,162	42,637,692	(10,265,113)	32,372,579
$ 23,819,028	$ 50,909,274	$ (11,889,965)	$ 39,019,309

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

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2020

Net Change in Fund Balances - Governmental Funds	$ 8,271,582
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	66,685
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	(1,125)
Governmental funds report Regional Water Authority credits as revenues. However, in the government-wide financial statements, the principal portion of the credits decreases long-term receivables and the balance is recorded as investment revenue.	(17,781)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(3,827,412)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	10,449,070
Governmental funds report bond insurance costs as expenditures and bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the government-wide financial statements, bond insurance costs, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in interest expense.	(154,156)
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	9,045,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.	(45,133)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(17,140,000)
Change in Net Position - Governmental Activities	$ 6,646,730

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

NOTE 1. CREATION OF DISTRICT

Northwest Harris County Municipal Utility District No. 5, located in Harris County, Texas (the "District"),a was created effective December 3, 1974 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). Pursuant to the provisions of Chapters 54 and 49 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on April 10, 1975, and the first bonds were delivered on July 6, 1977.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

The District has entered into a joint venture with Northwest Harris County Municipal Utility District No. 15 ("District No. 15"), Harris County Municipal Utility District No. 273, Harris County Municipal Utility District No. 280, Harris County Municipal Utility District No. 281 and Harris County Municipal Utility District No. 282 for waste disposal through the North Pointe Regional Wastewater Treatment Plant. Currently, District No. 15 has operating and oversight responsibility over the wastewater treatment plant. Additional disclosure concerning this joint venture is provided in Note 10.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

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

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

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

Basis of Accounting

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenues include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost of $25,000 or more and an estimated useful life of at least two years following the date of acquisition. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Pensions

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

Measurement Focus

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

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

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

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District did not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

Recently Issued Accounting Pronouncements

In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, the purpose of which is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Under GASB Statement No. 89, the cost of assets capitalized and depreciated will no longer include an interest component. Developer interest will instead be shown separately as an expenditure in the fund it was paid from (not combined with capital outlay) and as an expense in the government-wide financial statements. GASB Statement No. 89 is effective for fiscal years beginning after December 15, 2019, though early application is encouraged, and the requirements of this standard are to be applied prospectively. Management has chosen to early implement GASB Statement No. 89 as of and for the fiscal year ended July 31, 2020.

NOTE 3. LONG-TERM DEBT

	Refunding Series 2010	Series 2013	Refunding Series 2014
Amount Outstanding – July 31, 2020	$ 2,765,000	$ 7,290,000	$ 3,560,000
Interest Rates	3.25,%	3.000% - 3.125%	3.00% - 3.50%
Maturity Dates - Serially Beginning/Ending	May 1, 2021/2023	May 1, 2021/2034	May 1, 2021/2023
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2020*	May 1, 2021*	Not Applicable

	Refunding Series 2015	Series 2015A	Refunding Series 2016
Amount Outstanding – July 31, 2020	$ 13,125,000	$ 26,605,000	$ 18,185,000
Interest Rates	3.00% - 3.50%	2.00% - 3.625%	3.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	May 1, 2021/2027	May 1, 2021/2040	May 1, 2021/2032
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2022*	May 1, 2023*	May 1, 2025*

* Or on any date thereafter, in whole or in part, at the option of the District, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2010 Refunding bonds are term bonds subject to mandatory redemption beginning May 1, 2011 by lot or other customary random method. The Series 2015-A term bonds maturing May 1, 2028 are subject to mandatory redemption beginning May 1, 2027, by lot or other customary random method.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2017	Series 2018	Series 2018A
Amount Outstanding – July 31, 2020	$ 21,615,000	$ 19,895,000	$ 7,665,000
Interest Rates	2.00% - 4.00%	2.00% - 3.75%	2.00% - 3.75%
Maturity Dates - Serially Beginning/Ending	May 1, 2021/2041	May 1, 2021/2043	May 1, 2021/2043
Interest Payment Dates	November 1/ May 1	November 1/ May 1	November 1/ May 1
Callable Dates	May 1, 2024**	May 1, 2023**	May 1, 2023**

	Series 2019
Amount Outstanding – July 31, 2020	$ 16,425,000
Interest Rates	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	May 1, 2021/2043
Interest Payment Dates	November 1/ May 1
Callable Dates	May 1, 2024**

** Or on any date thereafter, in whole or in part, at the option of the District, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2017 term bonds maturing May 1, 2031, May 1, 2039 and May 1, 2041 are subject to mandatory redemption beginning May 1, 2030, May 1, 2038 and May 1, 2040, respectively. The Series 2019 term bonds maturing May 1, 2043 are subject to mandatory redemption beginning May 1, 2040, by lot or other customary random method.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2020:

	August 1, 2019	Additions	Retirements	July 31, 2020
Bonds Payable	$ 129,035,000	$ 17,140,000	$ 9,045,000	$ 137,130,000
Unamortized Discounts	(28,405)	(108,937)	(23,199)	(114,143)
Unamortized Premiums	2,322,960	225,175	248,432	2,299,703
Bonds Payable, Net	$ 131,329,555	$ 17,256,238	$ 9,270,233	$ 139,315,560

Amount Due Within One Year	$ 9,255,000
Amount Due After One Year	130,060,560
Bonds Payable, Net	$ 139,315,560

On October 22, 2019, the District issued $17,140,000 Unlimited Tax Bonds, Series 2019 with interest rates ranging from 2.00% to 4.00%. The net proceeds of $16,296,961 (after payment of underwriter fees and other bond related costs) were deposited with the District's investment accounts to reimburse the developer for construction and land costs associated with water, wastewater and drainage facilities and to pay for future bond interest and bond issue costs.

As of July 31, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	$ 9,255,000	$ 4,336,156	$ 13,591,156
2022	9,425,000	4,084,731	13,509,731
2023	9,640,000	3,803,125	13,443,125
2024	8,950,000	3,479,313	12,429,313
2025	9,165,000	3,193,263	12,358,263
2026-2030	35,135,000	12,292,564	47,427,564
2031-2035	27,470,000	7,166,599	34,636,599
2036-2040	21,345,000	3,329,751	24,674,751
2041-2043	6,745,000	428,246	7,173,246
	$ 137,130,000	$ 42,113,748	$ 179,243,748

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The District has authorized but unissued tax bonds totaling $33,865,000 for utilities and refundings, and none remaining for parks and recreation.

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended July 31, 2020, the District levied an ad valorem debt service tax at the rate of $0.59 per $100 of assessed valuation, which resulted in a tax levy of $12,362,096 on the adjusted taxable valuation of $2,094,477,072 for the 2019 tax year. The bond orders require the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5^{th} year anniversary of each issue.

The bond orders state that the District is required to annually provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was $6,713,687 and the bank balances were $7,291,285. Of the bank balances, $5,302,206 was covered by federal depository insurance, and the remaining balance was covered by pledged collateral held in a third-party depository in the District's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 1,671,381	$ 2,640,000	$ 4,311,381
DEBT SERVICE FUND	2,206	2,400,000	2,402,206
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	$ 1,673,687	$ 5,040,000	$ 6,713,687

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

Certificates of deposit are valued at acquisition cost at the date of purchase.

As of July 31, 2020, the District had the following investments and maturities:

		Maturities in Years			
Fund and Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
GENERAL FUND					
Texas CLASS	$ 12,430,504	$ 12,430,504	$	$	$
Certificates of Deposit	2,640,000	2,640,000			
DEBT SERVICE FUND					
Texas CLASS	9,178,939	9,178,939			
Certificates of Deposit	2,400,000	2,400,000			
CAPITAL PROJECTS FUND					
Texas CLASS	24,233,098	24,233,098			
TOTAL INVESTMENTS	$ 50,882,541	$ 50,882,541	$ - 0 -	$ - 0 -	$ - 0 -

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2020, the District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances covered in accordance with Texas statutes.

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

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2020:

	August 1, 2019	Increases	Decreases	July 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 11,147,709	$	$	$ 11,147,709
Construction in Progress	1,395,121	1,994,285	961,467	2,427,939
Total Capital Assets Not Being Depreciated	$ 12,542,830	$ 1,994,285	$ 961,467	$ 13,575,648
Capital Assets Subject to Depreciation				
Buildings and Improvements	$ 383,826	$	$	$ 383,826
Water System	37,137,252	87,102		37,224,354
Wastewater System	52,827,660	605,064		53,432,724
Drainage System	60,222,496	269,301		60,491,797
Other	205,020			205,020
Total Capital Assets Subject to Depreciation	$ 150,776,254	$ 961,467	$ - 0 -	$ 151,737,721
Accumulated Depreciation				
Buildings and Improvements	$ 211,237	$ 9,622	$	$ 220,859
Water System	10,621,903	1,041,021		11,662,924
Wastewater System	13,304,282	1,417,790		14,722,072
Drainage System	11,147,724	1,358,979		12,506,703
Other	205,020			205,020
Total Accumulated Depreciation	$ 35,490,166	$ 3,827,412	$ - 0 -	$ 39,317,578
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 115,286,088	$ (2,865,945)	$ - 0 -	$ 112,420,143
Total Capital Assets, Net of Accumulated Depreciation	$ 127,828,918	$ (871,660)	$ 961,467	$ 125,995,791

The District has financed certain drainage facilities which have been conveyed to other entities for maintenance. Capital assets are added above when the facilities are placed into service.

NOTE 7. MAINTENANCE TAX

On April 3, 1976, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.15 per $100 of assessed valuation of taxable property within the District. On May 7, 1988, the voters agreed to increase the amount of maintenance tax not to exceed $0.50 per $100 of assessed valuation. During the year ended July 31, 2020, the District levied an ad valorem maintenance tax at the rate of $0.17 per $100 of assessed valuation, which resulted in a tax levy of $3,561,960 on the adjusted taxable valuation of $2,094,477,072 for the 2019 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

NOTE 8. WATER SUPPLY CONTRACTS

Harris County Municipal Utility District No. 360

On June 13, 1994, as amended on June 14, 2000, the District entered into an emergency water supply contract with Harris County Municipal Utility District No. 360 ("District No. 360"). The contract requires District No. 360 to construct, at its own cost, the 8" water lines necessary to connect the systems. Each district shall be responsible for maintaining its respective interconnect lines within its boundaries at its sole cost. Each district shall own and have title to its respective interconnect line. The term of the contract is 40 years.

The price to be paid for water delivered during an emergency shall be billed at a rate of $0.50 per 1,000 gallons of "average daily usage" for the number of days water is received. In the event that the supplying district had to purchase all or a portion of the water supplied, then the rate per 1,000 gallons shall be the greater of the rate paid by the supplying district for such water or $0.50. If the supplying district has converted to use surface water in whole or in part, the rate per 1,000 gallons shall be the actual costs to the supplying district to purchase surface water, or the $0.50 rate shall be increased by the amount of the fees imposed by such regional water authority or governmental entity.

Harris Count Municipal Utility District No. 416

On February 14, 2007, the District and Harris County Municipal Utility District No. 416 ("District No. 416") entered into a Water Facilities Contract (the "Water Facilities Contract"). On April 4, 2007, the District purchased the water well and water plant located in District No. 416 for $2,185,150. Pursuant to the Water Facilities Contract, District No. 416 held the option to repurchase 50 percent of the capacity within one year for 50 percent of the purchase price plus interest calculated at the rate at which the District financed the purchase. District No. 416 was unable to exercise the option to repurchase and the Water Facilities Contract was terminated by the Water Supply Agreement.

On August 15, 2013, the District and District No. 416 entered into the Water Supply Agreement (the "Water Supply Agreement"). Pursuant to the Water Supply Agreement, District No. 416 relinquished any right to the water well and plant located within District No. 416 and the District agreed to provide water service to up to 300 equivalent single-family connections to District No. 416. District No. 416 will design and construct all water distribution facilities and will purchase water capacity from the District at a cost of $1,500.00 per connection to provide service to customers within District No. 416. Upon completion and acceptance by District No. 416 and developer reimbursement, the water distribution facilities will be conveyed to the District, which will assume responsibility for their maintenance and operation.

NOTE 8. WATER SUPPLY CONTRACTS (Continued)

Harris Count Municipal Utility District No. 416 (Continued)

On January 17, 2019, the District and District No. 416 entered into the First Amendment to the Water Supply Agreement (the "Amendment") which allows the District to provide and charge for water services to certain parties, as detailed out in the Amendment, that are outside of the boundaries of District No. 416.

NOTE 9. LEASE AGREEMENT AND MAINTENANCE AND OPERATING AGREEMENT - ADMINISTRATION BUILDING

On March 16, 1995, the District entered into an agreement to lease from Fairwood Homeowners Association (the "HOA") the land on which the District's administration building is constructed. The lease is for a term of 40 years from the date of this agreement, except if the District is annexed by the City of Houston, the agreement shall terminate upon the date of annexation. The District agreed to pay rent to the HOA at the rate of $1.00 per year, in advance, for the term of the lease. The District agreed to construct a district administration building on the premises and pay all real property taxes during the term of the lease. The leased premises shall be used only for the construction and use of an administration building. The District further agreed to provide its own property and liability insurance for all of the District's personal property located on the premises.

On March 16, 1995, the District and the HOA entered into an operation and maintenance agreement to arrange for the shared use and operation of the administration building for the term of the lease agreement. On June 1, 1998, the District and the HOA entered into a maintenance and operating agreement which terminated the prior agreement. The District agreed to pay all operating and maintenance costs for the building from the date of completion and occupancy of the building until two years following completion. Upon expiration of the two years following the date of completion of the building and until the expiration or termination of the lease agreement, the HOA will pay all costs of maintaining and repairing the building up to and including $100. The District agreed to pay for all maintenance and repair costs in excess of $100. However, the District agreed to pay all of maintenance and repair costs related to the conference room.

The District and the HOA agree that any revenues generated from the use of the building must be used to maintain the building, including normal recurring maintenance and repairs, regardless of the cost of repairs. The District's obligation to pay extraordinary maintenance and repair costs shall arise only if the revenue generated by the building is insufficient to pay the cost of repairs.

NOTE 10. WASTE DISPOSAL AGREEMENT

The District is a participant in a 2,613,350 gallon per-day ("gpd") regional wastewater treatment plant that is operated by Northwest Harris County Municipal Utility District No. 15 (the "Plant"). The District originally purchased rights to 1,055,600 gpd which is 40.39% of the capacity. On March 1, 2010, the District sold 28,350 gpd of its capacity in the Plant to Harris County Municipal Utility District No. 281 at a purchase price of $99,225. On May 6, 2015, the District approved the sale of wastewater treatment capacity in the Plant to Harris County Municipal Utility District No. 282 in the amount of $245,478 for 70,000 gpd of wastewater capacity. On July 1, 2015, the District approved the sale of wastewater treatment capacity in the Plant to Harris County Municipal Utility District No. 273 in the amount of $542,225 for 148,000 gpd of wastewater capacity. After this transaction, the District owns rights to 809,250 gpd which is 30.97% of the capacity. The term of the agreement is for a period of 40 years from March 1, 2010.

Each party owning capacity in the Plant appoints one member of its Board of Directors or its general manager to serve on an operations committee to oversee the operation and maintenance of the Plant. All costs incurred in connection with the meetings and activities of the operations committee shall be costs of the Plant. During the current fiscal year, the District maintained a reserve of $87,840 and recorded current operating costs of $289,953. The following summary financial data of the wastewater treatment plant is presented for the fiscal year ending September 30, 2019. Separate financial statements are not issued on this joint venture.

	Joint Venture
Total Assets	$ 324,384
Total Liabilities	251,177
Total Fund Balance	$ 73,207
Total Revenues and Other Financing Sources	$ 890,112
Total Expenditures	884,551
Net Change in Fund Balance	$ 5,561
Beginning Fund Balance – October 1, 2018	67,646
Ending Fund Balance – September 30, 2019	$ 73,207

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the seventy-fifth Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority has entered into a contract for purchase of surface water from the City of Houston, Texas to assure that its participants comply with the Harris-Galveston Subsidence District ("HGSD") pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of their water use to surface water over a period of time.

The Authority currently charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The rate at July 31, 2020 was $4.25 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of $4,092,094 for fees assessed during the current fiscal year.

The District started purchasing water from the Authority in December of 2010. The rate at July 31, 2020 was $4.70 per 1,000 gallons of water purchased. The District recorded an expenditure of $570,465 for water purchased from the Authority during the current fiscal year.

The District funded the construction costs for the conversion to surface water based on their capacity in the water supply facilities. The total cost of the project approved by the Authority for reimbursement was $894,644, which will be credited to the District over 30 years at a rate of 6%. The District began taking monthly credits of $5,416 in November 2011.

Future repayments are as follows:

Fiscal Year	Principal	Interest	Total
2021	$ 18,848	$ 46,147	$ 64,995
2022	19,979	45,016	64,995
2023	21,178	43,817	64,995
2024	22,448	42,547	64,995
2025	23,795	41,200	64,995
2026-2030	142,184	182,790	324,974
2031-2035	190,274	134,700	324,974
2036-2040	254,630	70,345	324,975
2041-2042	75,777	4,778	80,555
	$ 769,113	$ 611,340	$ 1,380,453

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective December 20, 2007, the District entered into a Strategic Partnership Agreement ("SPA") with the City of Houston, Texas. Under the SPA, and in accordance with Subchapter F of Chapter 43 of the Texas Local Government Code, the City has annexed the District for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the District. Effective May 14, 2013, the District entered into the First Amended and Restated Strategic Partnership Agreement with the City of Houston. This agreement confirms the terms of the original agreement and provides for the limited purpose annexation by the City of additional land in the District.

The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City may not be levied on taxable property within the District. The City's municipal courts have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and certain state laws. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation. The City may not annex the District for full purposes until eight years after at least 90 percent of the District's water, wastewater and drainage facilities have been developed and the developer(s) reimbursed by the District (or the City has assumed obligation for such reimbursement). The District will pay an annual $100 fee to the City for the provision of city services in lieu of full-purpose annexation. The qualified voters of the District may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the District.

The City shall impose a Sales and Use Tax within the boundaries of the District under the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City agrees to pay to the District an amount equal to one-half of all Sales and Use Tax receipts generated within the District. The sales tax became effective on January 1, 2008. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller's office. During the current fiscal year, the District recorded $63,898 in sales tax receipts, of which $9,055 was receivable from the City.

The term of this SPA is 30 years from the effective date of December 20, 2007.

NOTE 13. UNREIMBURSED COSTS

As of July 31, 2020, developers had advanced approximately $642,700 on behalf of the District for easements, the Learning Experience Center and detention and water, sewer and drainage facilities currently used by the District. This liability, and the related facilities, has been recorded in the Statement of Net Position. The following table details the activity for this liability during fiscal year 2020:

Due to Developers, August 1, 2019	$ 9,097,485
Add: Current Year Additions	571,065
Less: Current Year Payments	(9,025,850)
Due to Developers, July 31, 2020	$ 642,700

NOTE 14. INTERFUND BALANCES AND TRANSFERS

The General Fund owes the Debt Service Fund (Tax Fund) $11,664 for overpayment of maintenance tax collections. During the current fiscal year, the Capital Projects Fund transferred $163,651 to the General Fund to reimburse the General Fund for smart meter related costs.

NOTE 15. RISK MANAGEMENT

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

NOTE 16. USE OF SURPLUS FUNDS

On August 21, 2014, the District approved the use of surplus Capital Projects Fund monies in accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission for the Oakcrest Lift Station and 6-inch Force Main, Telge Road water line relocation and Water Plant Nos. 1 and 2 hydropneumatic tank recoating. The Oakcrest Lift Station and 6-inch Force Main and Water Plant Nos. 1 and 2 hydropneumatic tank recoating projects were completed in a prior fiscal year. During the current fiscal year, the District expended $5,828 for the Telge Road water line relocation.

On November 21, 2019, the District approved an application to TCEQ for use of surplus bond funds for reimbursing the developer for construction costs related to the Learning Experience project. Per the application dated May 22, 2020, the District is requesting $209,204 in surplus funds from the Series 2019 bonds to reimburse costs related to the off-site 8" sanitary sewer and 8" water distribution line to serve the Learning Experience facility.

NOTE 17. PRIOR PERIOD ADJUSTMENT

In a prior year, the District was conveyed the water line and related facilities to serve Willowcreek Ranch Sections One, Two, Three and Five from District No. 416 for ownership, operations and maintenance, however, these were not recognized on the Statement of Net Position. The District should have recognized these assets as well as a conveyance of assets on the Statement of Activities. The effect of this correction is as follows:

Net Position - August 1, 2019	$ 31,607,585
Effect of Adjustment	764,994
Net Position - August 1, 2019, As Adjusted	$ 32,372,579

NOTE 18. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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NORTHWEST HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 5

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2020

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2020

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 1,872,100	$ 3,499,400	$ 3,553,225	$ 53,825
Sales Tax Receipts	38,400	55,700	63,898	8,198
Water Service	2,042,800	2,249,200	2,454,266	205,066
Wastewater Service	2,501,400	2,407,100	2,422,719	15,619
Regional Water Authority Fees	3,798,500	4,478,800	4,869,404	390,604
Penalty and Interest	183,600	140,000	110,997	(29,003)
Tap Connection and Inspection Fees	610,000	690,000	700,646	10,646
Investment Revenues	322,600	222,700	223,751	1,051
Regional Water Authority Reimbursements	65,000	65,000	64,995	(5)
Miscellaneous Revenues	48,900	53,500	46,663	(6,837)
TOTAL REVENUES	$ 11,483,300	$ 13,861,400	$ 14,510,564	$ 649,164
EXPENDITURES				
Services Operations:				
Professional Fees	$ 503,700	$ 553,700	$ 647,386	$ (93,686)
Contracted Services	2,198,000	2,246,900	2,255,453	(8,553)
Purchased Water Service	927,800	476,800	570,465	(93,665)
Purchased Wastewater Service	314,500	284,300	289,953	(5,653)
Utilities	430,000	448,200	461,761	(13,561)
Regional Water Authority Assessments	2,689,800	3,788,800	4,092,094	(303,294)
Repairs and Maintenance	2,551,456	1,731,869	1,848,176	(116,307)
Other	1,308,800	1,220,330	1,089,008	131,322
Capital Outlay	10,000	911,199	356,424	554,775
Debt Service -				
Bond Issuance Costs			15,000	(15,000)
TOTAL EXPENDITURES	$ 10,934,056	$ 11,662,098	$ 11,625,720	$ 36,378
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 549,244	$ 2,199,302	$ 2,884,844	$ 685,542
OTHER FINANCING SOURCES(USES)				
Transfers In	$ 362,219	$ 163,985	$ 163,651	$ (334)
NET CHANGE IN FUND BALANCE	$ 911,463	$ 2,363,287	$ 3,048,495	$ 685,208
FUND BALANCE - AUGUST 1, 2019	12,400,964	12,400,964	12,400,964	
FUND BALANCE - JULY 31, 2020	$ 13,312,427	$ 14,764,251	$ 15,449,459	$ 685,208

See accompanying independent auditor's report.

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NORTHWEST HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 5

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JULY 31, 2020

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2020

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

X	Retail Water	X	Wholesale Water	X	Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
X	Parks/Recreation		Fire Protection	X	Security
X	Solid Waste/Garbage		Flood Control		Roads
X	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
	Other (specify): ____________				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective on August 17, 2018.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 12.25	5,000	N	$ 1.25	5,001 to 10,000
				$ 1.75	10,001 to 15,000
				$ 2.25	15,001 to 20,000
				$ 2.75	20,001 to 25,000
				$ 3.25	25,001 and up
WASTEWATER:	$27.75 *		Y		
SURCHARGE:					
Regional Water Authority Fees				$ 4.70	1,000 and up

District employs winter averaging for wastewater usage? ______ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $18.50 Wastewater: $27.75 Surcharge: $47.00 Total: $93.25

* Includes solid waste disposal

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	6,868	6,848	x 1.0	6,848
=1"	756	753	x 2.5	1,883
1½"	15	15	x 5.0	75
2"	113	113	x 8.0	904
3"	1	1	x 15.0	15
4"	2	2	x 25.0	50
6"	1	1	x 50.0	50
8"			x 80.0	
10"			x 115.0	
Total Water Connections	7,756	7,733		9,825
Total Wastewater Connections	7,571	7,548	x 1.0	7,548

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

Gallons pumped into system:	1,047,559,000	Water Accountability Ratio: 95.6% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	132,031,000	From: North Harris County Regional Water Authority
Gallons billed to customers:	1,128,134,000	

See accompanying independent auditor's report.

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes _X_ No ___

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ's in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2020

PROFESSIONAL FEES:		
Arbitrage	$	850
Auditing		32,000
Engineering		366,123
Legal		248,413
TOTAL PROFESSIONAL FEES	$	647,386
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	570,465
Purchased Wastewater Service		289,953
TOTAL PURCHASED SERVICES FOR RESALE	$	860,418
CONTRACTED SERVICES:		
Bookkeeping	$	32,373
Operations and Billing		156,000
Solid Waste Disposal		1,343,003
Security		724,077
TOTAL CONTRACTED SERVICES	$	2,255,453
UTILITIES:		
Electricity	$	400,131
Telephone		61,630
TOTAL UTILITIES	$	461,761
REPAIRS AND MAINTENANCE:		
Water	$	988,422
Wastewater		589,461
Detention Ponds		235,796
Landscaping		34,497
TOTAL REPAIRS AND MAINTENANCE	$	1,848,176

See accompanying independent auditor’s report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2020

ADMINISTRATIVE EXPENDITURES:		
Director Fees	$	17,100
Insurance		76,196
Legal Notices		1,400
Office Supplies and Postage		95,092
Payroll Taxes		1,308
Travel and Meetings		3,142
Other		8,124
TOTAL ADMINISTRATIVE EXPENDITURES	$	202,362
CAPITAL OUTLAY -		
Capitalized Assets	$	356,424
TAP CONNECTIONS	$	291,030
OTHER EXPENDITURES:		
Chemicals	$	243,267
Inspection Fees		110,586
Laboratory Fees		73,808
Permit Fees		22,060
Regional Water Authority Assessments		4,092,094
Regulatory Assessment (TCEQ)		23,509
Sludge Hauling		121,856
Other		530
TOTAL OTHER EXPENDITURES	$	4,687,710
DEBT SERVICE -		
Bond Issuance Costs	$	15,000
TOTAL EXPENDITURES	$	11,625,720

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
INVESTMENTS
JULY 31, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	$ 12,430,504	$
Certificate of Deposit	XXXX9695	0.70%	05/12/21	240,000	368
Certificate of Deposit	XXXX0971	1.60%	01/13/21	240,000	2,104
Certificate of Deposit	XXXX2069	1.01%	07/09/21	240,000	146
Certificate of Deposit	XXXX6119	0.50%	03/30/21	240,000	404
Certificate of Deposit	XXXX9696	1.70%	01/10/21	240,000	2,269
Certificate of Deposit	XXXX0104	2.00%	10/21/20	240,000	3,735
Certificate of Deposit	XXXX4774	1.79%	12/05/20	240,000	2,801
Certificate of Deposit	XXXX0125	2.60%	08/06/20	240,000	6,120
Certificate of Deposit	XXXX9236	0.60%	03/19/21	240,000	529
Certificate of Deposit	XXXX8206	2.10%	11/13/20	240,000	3,590
Certificate of Deposit	XXXX1052	2.05%	09/18/20	240,000	4,247
TOTAL GENERAL FUND				$ 15,070,504	$ 26,313
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 9,178,939	$
Certificate of Deposit	XXXX9083	0.85%	04/26/21	240,000	537
Certificate of Deposit	XXXX2390	0.70%	04/01/21	240,000	557
Certificate of Deposit	XXXX1996	1.49%	03/19/21	240,000	1,313
Certificate of Deposit	XXXX5922	1.15%	03/17/21	240,000	1,028
Certificate of Deposit	XXXX2186	1.14%	04/05/21	240,000	877
Certificate of Deposit	XXXX2213	1.49%	03/20/21	240,000	1,303
Certificate of Deposit	XXXX9470	0.60%	03/31/21	240,000	477
Certificate of Deposit	XXXX5992	1.10%	03/16/21	240,000	991
Certificate of Deposit	XXXX9277	1.45%	03/20/21	240,000	1,268
Certificate of Deposit	XXXX4166	0.75%	04/23/21	240,000	483
TOTAL DEBT SERVICE FUND				$ 11,578,939	$ 8,834
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX0003	Varies	Daily	$ 5,120,133	$
Texas CLASS	XXXX0007	Varies	Daily	532,993	
Texas CLASS	XXXX0008	Varies	Daily	6,202,767	
Texas CLASS	XXXX0009	Varies	Daily	5,976,854	
Texas CLASS	XXXX0013	Varies	Daily	6,400,351	
TOTAL CAPITAL PROJECTS FUND				$ 24,233,098	$ - 0 -
TOTAL - ALL FUNDS				$ 50,882,541	$ 35,147

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - AUGUST 1, 2019	$ 12,100		$ 105,602	
Adjustments to Beginning Balance	11,305	$ 23,405	(3,958)	$ 101,644
Original 2019 Tax Levy	$ 3,416,272		$ 11,856,472	
Adjustment to 2019 Tax Levy	145,688	3,561,960	505,624	12,362,096
TOTAL TO BE ACCOUNTED FOR		$ 3,585,365		$ 12,463,740
TAX COLLECTIONS:				
Prior Years	$ 16,604		$ 37,337	
Current Year	3,536,621	3,553,225	12,274,156	12,311,493
TAXES RECEIVABLE - JULY 31, 2020		$ 32,140		$ 152,247
TAXES RECEIVABLE BY YEAR:				
2019		$ 25,339		$ 87,940
2018		3,165		23,912
2017		1,983		17,348
2016		1,046		10,613
2015		231		3,423
2014 and prior		376		9,011
TOTAL		$ 32,140		$ 152,247

See accompanying independent auditor’s report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	$ 10,554,800	$ 14,715,505	$ 21,647,191	$ 24,936,473
Improvements	2,094,317,113	1,871,536,950	1,688,703,703	1,518,231,264
Personal Property	57,238,732	59,591,327	62,542,940	64,128,068
Exemptions	(67,633,573)	(60,487,164)	(43,994,719)	(50,935,010)
TOTAL PROPERTY VALUATIONS	$ 2,094,477,072	$ 1,885,356,618	$ 1,728,899,115	$ 1,556,360,795
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.59	$ 0.68	$ 0.70	$ 0.71
Maintenance **	0.17	0.09	0.08	0.07
TOTAL TAX RATES PER $100 VALUATION	$ 0.76	$ 0.77	$ 0.78	$ 0.78
ADJUSTED TAX LEVY*	$ 15,924,056	$ 14,519,436	$ 13,493,379	$ 12,134,220
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.29 %	99.81 %	99.86 %	99.90 %

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

** Maintenance Tax – Maximum tax rate of $0.50 per $100 of assessed valuation was approved by voters on May 7, 1988.

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	REFUNDING SERIES-2010		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 890,000	$ 89,863	$ 979,863
2022	920,000	60,937	980,937
2023	955,000	31,037	986,037
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
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2043			
	$ 2,765,000	$ 181,837	$ 2,946,837

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	SERIES-2013		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 395,000	$ 219,531	$ 614,531
2022	415,000	207,681	622,681
2023	430,000	195,231	625,231
2024	445,000	182,332	627,332
2025	465,000	168,981	633,981
2026	485,000	155,031	640,031
2027	505,000	140,481	645,481
2028	525,000	125,332	650,332
2029	545,000	109,581	654,581
2030	570,000	93,231	663,231
2031	590,000	76,131	666,131
2032	615,000	58,432	673,432
2033	640,000	39,981	679,981
2034	665,000	20,782	685,782
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	$ 7,290,000	$ 1,792,738	$ 9,082,738

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	REFUNDING SERIES-2014		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 1,140,000	$ 118,900	$ 1,258,900
2022	1,185,000	84,700	1,269,700
2023	1,235,000	43,225	1,278,225
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
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2042			
2043			
	$ 3,560,000	$ 246,825	$ 3,806,825

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	REFUNDING SERIES-2015		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 1,470,000	$ 431,175	$ 1,901,175
2022	1,510,000	387,075	1,897,075
2023	1,575,000	341,775	1,916,775
2024	2,990,000	287,650	3,277,650
2025	3,120,000	183,000	3,303,000
2026	1,740,000	73,800	1,813,800
2027	720,000	21,600	741,600
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
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2043			
	$ 13,125,000	$ 1,726,075	$ 14,851,075

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	S E R I E S - 2 0 1 5 - A		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 1,335,000	$ 796,438	$ 2,131,438
2022	1,330,000	769,738	2,099,738
2023	1,330,000	743,138	2,073,138
2024	1,330,000	713,212	2,043,212
2025	1,330,000	679,963	2,009,963
2026	1,330,000	646,712	1,976,712
2027	1,330,000	606,813	1,936,813
2028	1,330,000	566,912	1,896,912
2029	1,330,000	527,012	1,857,012
2030	1,330,000	487,112	1,817,112
2031	1,330,000	447,212	1,777,212
2032	1,330,000	405,650	1,735,650
2033	1,330,000	364,088	1,694,088
2034	1,330,000	320,862	1,650,862
2035	1,330,000	277,638	1,607,638
2036	1,330,000	232,750	1,562,750
2037	1,330,000	187,862	1,517,862
2038	1,330,000	141,312	1,471,312
2039	1,330,000	94,762	1,424,762
2040	1,330,000	48,212	1,378,212
2041			
2042			
2043			
	$ 26,605,000	$ 9,057,398	$ 35,662,398

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	REFUNDING SERIES-2016		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 1,085,000	$ 712,331	$ 1,797,331
2022	1,125,000	679,782	1,804,782
2023	1,175,000	639,000	1,814,000
2024	1,240,000	592,000	1,832,000
2025	1,305,000	542,400	1,847,400
2026	1,370,000	490,200	1,860,200
2027	2,515,000	435,400	2,950,400
2028	1,520,000	334,800	1,854,800
2029	1,590,000	274,000	1,864,000
2030	1,675,000	210,400	1,885,400
2031	1,750,000	143,400	1,893,400
2032	1,835,000	73,400	1,908,400
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	$ 18,185,000	$ 5,127,113	$ 23,312,113

See accompanying independent auditor’s report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	SERIES - 2017		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 1,025,000	$ 624,038	$ 1,649,038
2022	1,025,000	603,538	1,628,538
2023	1,025,000	583,038	1,608,038
2024	1,030,000	542,038	1,572,038
2025	1,030,000	521,438	1,551,438
2026	1,030,000	500,838	1,530,838
2027	1,030,000	477,662	1,507,662
2028	1,030,000	454,488	1,484,488
2029	1,030,000	428,736	1,458,736
2030	1,030,000	400,412	1,430,412
2031	1,030,000	369,512	1,399,512
2032	1,030,000	338,612	1,368,612
2033	1,030,000	307,712	1,337,712
2034	1,030,000	275,525	1,305,525
2035	1,030,000	243,338	1,273,338
2036	1,030,000	209,862	1,239,862
2037	1,030,000	176,388	1,206,388
2038	1,030,000	141,625	1,171,625
2039	1,030,000	106,862	1,136,862
2040	1,030,000	72,100	1,102,100
2041	1,030,000	36,050	1,066,050
2042			
2043			
	$ 21,615,000	$ 7,413,812	$ 29,028,812

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	S E R I E S - 2 0 1 8		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 865,000	$ 642,263	$ 1,507,263
2022	865,000	624,963	1,489,963
2023	865,000	599,013	1,464,013
2024	865,000	573,063	1,438,063
2025	865,000	547,113	1,412,113
2026	865,000	521,162	1,386,162
2027	865,000	495,212	1,360,212
2028	865,000	469,262	1,334,262
2029	865,000	443,312	1,308,312
2030	865,000	417,362	1,282,362
2031	865,000	391,412	1,256,412
2032	865,000	364,382	1,229,382
2033	865,000	336,268	1,201,268
2034	865,000	308,156	1,173,156
2035	865,000	278,962	1,143,962
2036	865,000	248,688	1,113,688
2037	865,000	218,412	1,083,412
2038	865,000	188,138	1,053,138
2039	865,000	157,862	1,022,862
2040	865,000	126,506	991,506
2041	865,000	95,150	960,150
2042	865,000	63,794	928,794
2043	865,000	32,438	897,438
	$ 19,895,000	$ 8,142,893	$ 28,037,893

See accompanying independent auditor’s report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

	S E R I E S - 2 0 1 8 - A		
Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 335,000	$ 247,299	$ 582,299
2022	335,000	240,599	575,599
2023	335,000	230,549	565,549
2024	335,000	220,499	555,499
2025	335,000	210,449	545,449
2026	335,000	200,400	535,400
2027	335,000	190,350	525,350
2028	335,000	180,300	515,300
2029	335,000	170,250	505,250
2030	335,000	160,200	495,200
2031	335,000	150,150	485,150
2032	335,000	139,682	474,682
2033	335,000	128,794	463,794
2034	335,000	117,906	452,906
2035	335,000	106,600	441,600
2036	330,000	94,876	424,876
2037	330,000	83,326	413,326
2038	330,000	71,776	401,776
2039	330,000	60,226	390,226
2040	330,000	48,262	378,262
2041	330,000	36,300	366,300
2042	330,000	24,338	354,338
2043	330,000	12,376	342,376
	$ 7,665,000	$ 3,125,507	$ 10,790,507

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

SERIES - 2019

Due During Fiscal Years Ending July 31	Principal Due May 1	Interest Due November 1/ May 1	Total
2021	$ 715,000	$ 454,318	$ 1,169,318
2022	715,000	425,718	1,140,718
2023	715,000	397,119	1,112,119
2024	715,000	368,519	1,083,519
2025	715,000	339,919	1,054,919
2026	715,000	325,619	1,040,619
2027	715,000	311,319	1,026,319
2028	715,000	297,019	1,012,019
2029	715,000	282,719	997,719
2030	715,000	267,525	982,525
2031	715,000	251,437	966,437
2032	715,000	234,456	949,456
2033	715,000	216,581	931,581
2034	715,000	198,707	913,707
2035	715,000	180,831	895,831
2036	715,000	162,063	877,063
2037	715,000	143,293	858,293
2038	715,000	124,525	839,525
2039	715,000	104,863	819,863
2040	710,000	85,200	795,200
2041	710,000	63,900	773,900
2042	710,000	42,600	752,600
2043	710,000	21,300	731,300
	$ 16,425,000	$ 5,299,550	$ 21,724,550

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2020

Due During Fiscal Years Ending July 31	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 9,255,000	$ 4,336,156	$ 13,591,156
2022	9,425,000	4,084,731	13,509,731
2023	9,640,000	3,803,125	13,443,125
2024	8,950,000	3,479,313	12,429,313
2025	9,165,000	3,193,263	12,358,263
2026	7,870,000	2,913,762	10,783,762
2027	8,015,000	2,678,837	10,693,837
2028	6,320,000	2,428,113	8,748,113
2029	6,410,000	2,235,610	8,645,610
2030	6,520,000	2,036,242	8,556,242
2031	6,615,000	1,829,254	8,444,254
2032	6,725,000	1,614,614	8,339,614
2033	4,915,000	1,393,424	6,308,424
2034	4,940,000	1,241,938	6,181,938
2035	4,275,000	1,087,369	5,362,369
2036	4,270,000	948,239	5,218,239
2037	4,270,000	809,281	5,079,281
2038	4,270,000	667,376	4,937,376
2039	4,270,000	524,575	4,794,575
2040	4,265,000	380,280	4,645,280
2041	2,935,000	231,400	3,166,400
2042	1,905,000	130,732	2,035,732
2043	1,905,000	66,114	1,971,114
	$ 137,130,000	$ 42,113,748	$ 179,243,748

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2020

Description	Original Bonds Issued	Bonds Outstanding August 1, 2019
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2008	$ 13,505,000	$ 515,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2009	13,090,000	505,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2010	11,470,000	3,620,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2013	9,660,000	7,670,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2014	9,265,000	4,655,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2015	17,475,000	14,540,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2015-A	31,945,000	27,940,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Refunding Bonds - Series 2016	18,375,000	18,190,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2017	24,690,000	22,640,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2018	20,760,000	20,760,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Park Bonds - Series 2018-A	8,000,000	8,000,000
Northwest Harris County Municipal Utility District No. 5 Unlimited Tax Bonds - Series 2019	17,140,000	
TOTAL	$ 195,375,000	$ 129,035,000

See accompanying independent auditor's report.

Current Year Transactions					
	Retirements				
Bonds Sold	Principal	Interest	Bonds Outstanding July 31, 2020	Paying Agent	
$	$ 515,000	$ 20,600	$ -0-	Wells Fargo Bank N.A. Houston, TX	
	505,000	20,200	-0-	Wells Fargo Bank N.A. Houston, TX	
	855,000	117,650	2,765,000	Wells Fargo Bank N.A. Houston, TX	
	380,000	230,932	7,290,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	1,095,000	151,750	3,560,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	1,415,000	473,625	13,125,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	1,335,000	849,838	26,605,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	5,000	712,431	18,185,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	1,025,000	665,038	21,615,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	865,000	659,563	19,895,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	335,000	253,999	7,665,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
17,140,000	715,000	253,531	16,425,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
$ 17,140,000	$ 9,045,000	$ 4,409,157	$ 137,130,000		

See accompanying independent auditor's report.

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NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2020

Bond Authority:	Water, Sanitary Sewer, Drainage and Refunding*	Park Bonds
Amount Authorized by Voters	$ 243,900,000	$ 8,000,000
Amount Issued	210,035,000	8,000,000
Remaining to be Issued	$ 33,865,000	$ - 0 -

Debt Service Fund cash, investment and cash with tax assessor balances as of July 31, 2020:	$ 11,597,849
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 7,793,206

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

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

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 3,553,225	$ 1,727,342	$ 1,405,604
Sales Tax Receipts	63,898	43,805	42,485
Water Service	2,454,266	2,069,265	2,157,644
Wastewater Service	2,422,719	2,319,258	2,174,059
Regional Water Authority Fees	4,869,404	3,688,464	3,491,139
Penalty and Interest	110,997	151,884	88,503
Tap Connection and Inspection Fees	700,646	808,040	943,499
Investment Revenues	223,751	288,630	147,829
Regional Water Authority Reimbursements	64,995	64,995	64,995
Miscellaneous Revenues	46,663	63,948	198,048
TOTAL REVENUES	$ 14,510,564	$ 11,225,631	$ 10,713,805
EXPENDITURES			
Professional Fees	$ 647,386	$ 552,534	$ 505,866
Contracted Services	2,255,453	2,092,996	1,850,876
Purchased Water Service	570,465	945,369	766,842
Purchased Wastewater Service	289,953	277,441	369,515
Utilities	461,761	428,807	438,673
Regional Water Authority Assessments	4,092,094	2,816,995	2,572,637
Repairs and Maintenance	1,848,176	4,394,911	1,587,833
Other	1,089,008	1,102,637	1,240,852
Capital Outlay	356,424	21,494	793,796
Bond Issuance Costs	15,000		68,238
TOTAL EXPENDITURES	$ 11,625,720	$ 12,633,184	$ 10,195,128
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 2,884,844	$ (1,407,553)	$ 518,677
OTHER FINANCING SOURCES			
Transfers In	$ 163,651	$ 3,187,816	$ 203,523
Contributed by Other Governments			
TOTAL OTHER FINANCING SOURCES	$ 163,651	$ 3,187,816	$ 203,523
NET CHANGE IN FUND BALANCE	$ 3,048,495	$ 1,780,263	$ 722,200
BEGINNING FUND BALANCE	12,400,964	10,620,701	9,898,501
ENDING FUND BALANCE	$ 15,449,459	$ 12,400,964	$ 10,620,701

See accompanying independent auditor’s report.

	2017	2016	2020	2019	2018	2017	2016
			Percentage of Total Revenues				
	$ 1,114,008	$ 666,693	24.6 %	15.3 %	13.2 %	11.8 %	8.4 %
	32,386	22,054	0.4	0.3	0.4	0.3	0.3
	2,091,127	1,849,447	16.9	18.4	20.1	22.2	23.5
	2,009,886	1,842,170	16.7	20.7	20.3	21.3	23.5
	2,896,796	2,227,266	33.6	32.9	32.6	30.7	28.4
	96,148	74,783	0.8	1.4	0.8	1.0	1.0
	840,260	889,455	4.8	7.2	8.8	8.9	11.3
	46,781	13,703	1.5	2.6	1.4	0.5	0.2
	64,995	64,995	0.4	0.6	0.6	0.7	0.8
	241,907	204,650	0.3	0.6	1.8	2.6	2.6
	$ 9,434,294	$ 7,855,216	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
	$ 430,922	$ 402,834	4.5 %	4.9 %	4.7 %	4.6 %	5.1 %
	1,683,820	1,539,550	15.5	18.6	17.3	17.8	19.6
	649,222	586,376	3.9	8.4	7.2	6.9	7.5
	288,415	290,517	2.0	2.5	3.4	3.1	3.7
	442,731	485,804	3.2	3.8	4.1	4.7	6.2
	2,049,846	1,452,404	28.2	25.1	24.0	21.7	18.5
	1,324,649	908,491	12.7	39.2	14.8	14.0	11.6
	886,559	844,833	7.5	9.8	11.6	9.4	10.8
	160,692	308,097	2.5	0.2	7.4	1.7	3.9
	85,379	6,833	0.1		0.6	0.9	0.1
	$ 8,002,235	$ 6,825,739	80.1 %	112.5 %	95.1 %	84.8 %	87.0 %
	$ 1,432,059	$ 1,029,477	19.9 %	(12.5) %	4.9 %	15.2 %	13.0 %
	$	$ 14,233					
		315,210					
	$ - 0 -	$ 329,443					
	$ 1,432,059	$ 1,358,920					
	8,466,442	7,107,522					
	$ 9,898,501	$ 8,466,442					

See accompanying independent auditor’s report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 12,311,493	$ 12,942,130	$ 12,282,395
Penalty and Interest	62,011	129,654	90,007
Investment Revenues	252,338	318,256	174,758
Miscellaneous Revenues	244	249	213
TOTAL REVENUES	$ 12,626,086	$ 13,390,289	$ 12,547,373
EXPENDITURES			
Tax Collection Expenditures	$ 138,958	$ 138,444	$ 135,334
Debt Service Principal	9,045,000	7,380,000	7,695,000
Debt Service Interest and Fees	4,414,907	4,082,715	3,545,929
Bond Issuance Costs			
TOTAL EXPENDITURES	$ 13,598,865	$ 11,601,159	$ 11,376,263
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (972,779)	$ 1,789,130	$ 1,171,110
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	$	$	$
Payment to Refunded Bond Escrow Agent			
Bond Premium			
TOTAL OTHER FINANCING SOURCES, NET	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (972,779)	$ 1,789,130	$ 1,171,110
BEGINNING FUND BALANCE	12,613,566	10,824,436	9,653,326
ENDING FUND BALANCE	$ 11,640,787	$ 12,613,566	$ 10,824,436
TOTAL ACTIVE RETAIL WATER CONNECTIONS	7,733	7,459	7,012
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	7,548	7,311	6,837

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
$ 11,277,131	$ 9,705,849	97.5 %	96.6 %	97.9 %	98.9 %	99.4 %
61,640	34,927	0.5	1.0	0.7	0.5	0.4
64,529	21,709	2.0	2.4	1.4	0.6	0.2
28						
$ 11,403,328	$ 9,762,485	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 119,189	$ 97,100	1.1 %	1.0 %	1.1 %	1.0 %	1.0 %
6,625,000	4,940,000	71.6	55.1	61.3	58.1	50.6
3,065,024	2,941,588	35.0	30.5	28.3	26.9	30.1
	510,621					5.2
$ 9,809,213	$ 8,489,309	107.7 %	86.6 %	90.7 %	86.0 %	86.9 %
$ 1,594,115	$ 1,273,176	(7.7) %	13.4 %	9.3 %	14.0 %	13.1 %
$	$ 18,375,000					
	(19,949,831)					
	2,085,452					
$ - 0 -	$ 510,621					
$ 1,594,115	$ 1,783,797					
8,059,211	6,275,414					
$ 9,653,326	$ 8,059,211					
6,504	5,991					
6,348	5,862					

See accompanying independent auditor’s report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2020

District Mailing Address - Northwest Harris County Municipal Utility District No. 5
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended July 31, 2020	Expense Reimbursements for the year ended July 31, 2020	Title
Jeff Collins	05/18 05/22 (Elected)	$ 2,100	$ -0-	President
Larry Milberger	05/20 05/24 (Elected)	$ 5,700	$ 1,234	Vice President
James Adams	05/18 05/22 (Elected)	$ 2,100	$ -0-	Secretary
Charles Fischer	05/20 05/24 (Elected)	$ 5,100	$ 952	Treasurer
H. Bruce Gallun	05/20 05/24 (Elected)	$ 2,100	$ -0-	Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants except for Director Collins. Director Collins is a shareholder in LJA Engineering which is currently providing services to the District. Director Collins has agreed to abstain from voting on certain engineering issues because of the possible financial effect on this company.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): December 18, 2019.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution (TWC Section 49.060) on July 17, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

NORTHWEST HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 5
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2020

Consultants:	Date Hired	Fees for the year ended July 31, 2020	Title
Smith, Murdaugh, Little & Bonham, L.L.P.	04/10/75	$ 262,490	General Counsel
	01/21/88	$ 421,051	Bond Counsel
		$ 13,530	Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	07/16/87	$ 32,000	Auditor
		$ 19,200	Bond Related
Municipal Accounts & Consulting, L.P.	11/01/16	$ 38,322	Bookkeeper
		$ 3,250	Bond Related
Costello, Inc.	03/27/03	$ 270,297	Engineer
		$ 8,279	Bond Related
BGE, Inc	11/14/19	$ 375,230	Engineer
Masterson Advisors LLC	04/19/18	$ 192,319	Financial Advisor
Mark Burton	10/20/16	$ -0-	Investment
Ghia Lewis	10/20/16	$ -0-	Officers
Municipal District Services	12/01/07	$ 2,141,002	Operator
Mike Arterburn, RTA	09/15/16	$ -0-	Tax Assessor
Harris County Tax Assessor/Collector	07/01/06	$ 13,606	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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