OFFICIAL STATEMENT DATED APRIL 13, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book-Entry-Only

Moody's Investors Service, Inc. (Underlying) ..... "Baa3"
Moody's Investors Service, Inc. (AGM Insured)......."A2"
S&P Global Ratings (AGM Insured) .... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

$4,715,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
(A Political Subdivision of the State of Texas, located within Harris County)

UNLIMITED TAX BONDS, SERIES 2021

Interest accrues from: May 1, 2021 **Due: September 1, as shown on inside cover**

The $4,715,000 Harris County Municipal Utility District No. 494 Unlimited Tax Bonds, Series 2021 (the "Bonds") are solely obligations of Harris County Municipal Utility District No. 494 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District is pledged to the payment of the principal of or interest on the Bonds. See "THE BONDS – Source and Security for Payment."

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrar, initially Regions Bank, an Alabama state banking corporation, in Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from May 1, 2021 and is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing September 1, 2021, until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof. See "THE BONDS" herein.

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

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.

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

ASSURED GUARANTY MUNICIPAL

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 upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District.

Investment in the Bonds is subject to special investment considerations as described herein. Prospective purchasers of the Bonds should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, as Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about May 18, 2021.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS

$4,715,000 Unlimited Tax Bonds, Series 2021

$1,655,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41424Q (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 41424Q (b)
2022	$ 150,000	3.500%	0.250%	GC2	****	****	****	****	****
2023	155,000	3.500%	0.400%	GD0	2037 (c)	$ 210,000	2.000%	2.050%	GT5
2024	155,000	3.500%	0.550%	GE8	2038 (c)	215,000	2.000%	2.100%	GU2
2025	160,000	3.500%	0.700%	GF5	2039 (c)	220,000	2.000%	2.150%	GV0
2026 (c)	165,000	1.000%	1.000%	GG3	2040 (c)	225,000	2.000%	2.200%	GW8

$3,060,000 Term Bonds

$340,000 Term Bonds Due September 1, 2028 (c) (d), Interest Rate: 1.000% (Price: $98.263) (a), CUSIP No. 41424Q GJ7 (b)

$355,000 Term Bonds Due September 1, 2030 (c) (d), Interest Rate: 1.500% (Price: $99.139) (a), CUSIP No. 41424Q GL2 (b)

$375,000 Term Bonds Due September 1, 2032 (c) (d), Interest Rate: 1.750% (Price: $99.490) (a), CUSIP No. 41424Q GN8 (b)

$385,000 Term Bonds Due September 1, 2034 (c) (d), Interest Rate: 2.000% (Price: $100.820) (a), CUSIP No. 41424Q GQ1 (b)

$405,000 Term Bonds Due September 1, 2036 (c) (d), Interest Rate: 2.000% (Price: $100.00) (a), CUSIP No. 41424Q GS7 (b)

$465,000 Term Bonds Due September 1, 2042 (c) (d), Interest Rate: 2.125% (Price: $97.066) (a), CUSIP No. 41424Q GY4 (b)

$735,000 Term Bonds Due September 1, 2045 (c) (d), Interest Rate: 2.125% (Price: $95.852) (a), CUSIP No. 41424Q HB3 (b)

(a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Initial Purchaser and may subsequently be changed. Accrued interest from May 1, 2021, is to be added to the price. The yield on Bonds maturing on and after September 1, 2026, is calculated to the lower of yield to redemption or maturity.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

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

(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056 upon payment of the costs for duplication thereof.

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

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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "GENERAL CONSIDERATIONS – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.256246% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.200877%, calculated pursuant to Chapter 1204, Texas Government Code.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

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

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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 should 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 jurisdictions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At December 31, 2020:

- The policyholders' surplus of AGM was approximately $2,864 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $940 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,112 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021).

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

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

Miscellaneous Matters

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

RATINGS

The Bonds have received an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Bonds have received an insured rating of "A2" from Moody's solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody's has also assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P, the insured rating of Moody's, or the underlying rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more 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 this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The District	Harris County Municipal Utility District No. 494 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Bonds	The District's $4,715,000 Unlimited Tax Bonds, Series 2021 (the "Bonds"), mature on September 1 in the years and in the amounts set forth on the inside cover hereof. Interest accrues from May 1, 2021 and is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing September 1, 2021, until the earlier of maturity or redemption. See "THE BONDS – General."
Redemption Provisions	Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a price of the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." The Bonds that mature on September 1, 2028, 2030, 2032, 2034, 2036, 2042 and 2045, are term bonds that are also subject to the mandatory redemption provisions set out herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Source of Payment	Principal of and interest on the Bonds are 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 and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. See "THE BONDS – Source and Security for Payment."
Use of Proceeds	A portion of the proceeds of the Bonds will be used to reimburse the Developer (as defined herein) for (1) the construction and engineering costs of the water, sewer and drainage facilities to serve the development of Bridges on Lake Houston Sections 3 and 4; (2) the construction and engineering costs associated with the clearing and grubbing for the water, sewer and drainage facilities to serve the

development of Bridges on Lake Houston Sections 3 and 4; (3) the construction and engineering costs associated with the clearing and grubbing for the Bridges on Lake Houston Sections 5 and 6 Sanitary Sewer Trunkline; (4) the construction and engineering costs associated with the Sanitary Sewer Lift Station No. 1; (5) the District's share of the construction and engineering costs related to certain joint use facilities shared with Harris County MUD No. 153; and (6) certain District operating costs. Additionally, proceeds from the Bonds will be used to pay certain operating costs of the District, and certain costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance.. The Bonds are issued pursuant to (i) the Bond Order ("Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) the Constitution and general laws of the State of Texas, particularly Chapter 782, Acts of the 80th Legislature of the State of Texas, Regular Session, 2007 (codified as Chapter 8214, Special District Local Laws Code) (the "District Act"), (iii) an election held within the District on May 14, 2011, and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

The Bonds are the third series of bonds issued out of an aggregate of $60,475,000 for the purpose of acquiring or constructing water, sanitary sewer and stormwater drainage facilities to serve the District (the "Utility System"). After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized and unissued: $46,230,000 principal amount of unlimited tax bonds for the Utility System; $20,820,000 principal amount of unlimited tax road bonds for the purpose of acquiring or constructing road facilities to serve the District (the "Road System"); $5,720,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities (the "Park System"); and $99,745,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued by the District. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source and Security for Payment" and "– Authority for Issuance."

Outstanding Bonds .... The Bonds are the District's third series of bonds issued for the Utility System. The District previously issued two series of bonds for the Utility System: the $5,940,000 Unlimited Tax Bonds, Series 2016, and $3,590,000 Unlimited Tax Bonds, Series 2019A. The District has also previously issued four series of bonds for the Road System: $4,365,000 Unlimited Tax Road Bonds, Series 2016A; $3,890,000 Unlimited Tax Road Bonds, Series 2017; $1,525,000 Unlimited Tax Road Bonds, Series 2018; and $2,950,000 Unlimited Tax Road Bonds, Series 2019. Of such six series of bonds previously issued by the District, $20,760,000 of principal remains outstanding as of March 1, 2021 (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Qualified Tax-Exempt Obligations .... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS – Qualified Tax-Exempt Obligations."

Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (AGM Insured): "AA." Moody's Investors Service, Inc. (AGM Insured): "A2." Moody's Investors Service, Inc. (Underlying): "Baa3." See "RATINGS."
Payment Record	The District has never defaulted on the timely payment of principal and interest on its previously issued bonds.
Bond Counsel	Schwartz, Page & Harding, L.L.P., Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description	The District, a political subdivision of the State of Texas, was created by House Bill 3982, Chapter 782, Acts of the 80th Legislature, Regular Session, May 11, 2007, now codified as Chapter 8214 of the Texas Special District Local Laws Code. The District is situated in Harris County, Texas, approximately 21 miles northeast of the central business district of the City of Houston, Texas, and is wholly within the boundaries of the extraterritorial jurisdiction of the City of Houston, Texas. The District also lies within the boundaries of Humble Independent School District. The District is located generally east of West Lake Houston Parkway, south of FM 1960, north of US 90, and west of Lake Houston. See "THE DISTRICT – General" and "– Description."
Authority	The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended, and Article III, Section 52, and Article XVI, Section 59 of the Texas Constitution. See "THE DISTRICT – General."
The Developer	The Developer of land within the District is D.R. Horton-Texas, Ltd., a Texas limited partnership, which is controlled by D.R. Horton, Inc., a Delaware corporation and a publicly traded corporation (the "Developer" or "D.R. Horton"). See "PRINCIPAL LANDOWNER/ DEVELOPER."
Status of Development	The District contains approximately 331.84 acres. Approximately 236.01 acres within the District have been developed as 639 single-family lots, comprising the residential subdivision of Bridges on Lake Houston, Sections 1–9. A 13.27-acre multi-family tract within Bridges on Lake Houston, 1.95 acres have been developed as commercial property, a CVS store, serving Bridges on Lake Houston and 7.24 acres have been developed as a recreational center serving Bridges on Lake Houston. As of March 1, 2021, the residential development in the District included approximately 577 completed homes (569 occupied, 8 unoccupied, and 2 model homes), 17 homes under construction, and approximately 42 vacant developed lots. The remaining land within the District consists of approximately 40 undeveloped but developable acres and approximately 33.37 undevelopable acres. See "STATUS OF DEVELOPMENT."

Homebuilder within the District .... The homebuilder active within the District is D.R. Horton which is building under the names D.R. Horton and Emerald Homes. New homes being constructed within the District range in price from approximately $300,000 to $900,000+ and range in size from approximately 2,100 square feet to 3,800+ square feet. See "PRINCIPAL LANDOWNER/DEVELOPER – Homebuilder within the District."

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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. As described under "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (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 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, Texas area and could reduce or negatively affect property values 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.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2020 Assessed Valuation	$ 196,827,065	(a)
Estimate of Assessed Valuation as of January 1, 2021	$ 225,779,279	(b)
Direct Debt:		
The Outstanding Bonds (as of March 1, 2021)	$ 20,760,000	
The Bonds	$ 4,715,000	
Total	$ 25,475,000	
Estimated Overlapping Debt	$ 11,284,197	(c)
Total Direct and Estimated Overlapping Debt	$ 36,759,197	(c)
Direct Debt Ratio:		
As a percentage of 2020 Assessed Valuation	12.94	%
As a percentage of Estimate of Assessed Valuation as of January 1, 2021	11.28	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2020 Assessed Valuation	18.68	%
As a percentage of Estimate of Assessed Valuation as of January 1, 2021	16.28	%
Road System Debt Service Fund (as of January 12, 2021)	$ 344,860	(d)
Utility System Debt Service Fund (as of January 12, 2021)	$ 212,265	(e)
Capital Projects (as of January 12, 2021)	$ 161,748	
Operating Fund (as of January 12, 2021)	$ 1,855,805	

(a) Represents the taxable value of the District as of January 1, 2020, as certified by the Harris County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by Harris County Appraisal District for information purposes only. Represents new construction within the District from January 1, 2020, to January 1, 2021. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Estimated Overlapping Debt."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Bonds.

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Accrued interest from May 1, 2021, to the date of delivery will be deposited in the Utility System Debt Service Fund upon closing. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2020 Tax Rate			
Combined Debt Service		$0.85	(a)
Maintenance & Operation		$0.45	
Total		$1.30	
Combined Average Annual Debt Service Requirement (2021–2045)	$	1,402,087	(b)
Combined Maximum Annual Debt Service Requirement (2038)	$	1,631,414	(b)
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2021–2045) at 95 % Collections			
Based on 2020 Assessed Valuation		$0.75	
Based on Estimate of Assessed Valuation as of January 1, 2021		$0.66	
Combined Debt Service Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2038) at 95% Collections			
Based on 2020 Assessed Valuation		$0.88	
Based on Estimate of Assessed Valuation as of January 1, 2021		$0.77	

(a) The District's 2020 tax rate for debt service is composed of a $0.48 tax for debt service on the outstanding bonds for the Road System plus a $0.37 tax for debt service on the outstanding bonds for the Utility System. The District is authorized to levy separate debt service taxes for Road System debt and for Utility System debt, both of which are unlimited as to rate or amount.

(b) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

$4,715,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494

UNLIMITED TAX BONDS

SERIES 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 494 (the "District") of its $4,715,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to (i) the Bond Order ("Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) the Constitution and general laws of the State of Texas, particularly Chapter 782, Acts of the 80th Legislature of the State of Texas, Regular Session, 2007 (codified as Chapter 8214, Special District Local Laws Code) (the "District Act"), (iii) an election held within the District on May 14, 2011, and (iv) an order issued by the Texas Commission on Environmental Quality ("TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

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, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated May 1, 2021, with interest payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing on September 1, 2021, until the earlier of maturity or redemption. Interest on the Bonds initially accrues from May 1, 2021, and thereafter from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page hereof. The Bonds are issued in fully registered form only in principal 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. 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.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (herein defined) and any additional bonds payable from ad valorem taxes, 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"). Investment in the Bonds involves 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 State of Texas; Harris County, Texas; Houston, Texas (the "City"); or any political subdivision or entity other than the District.

Authority for Issuance

At an election held within the District on May 14, 2011, voters of the District authorized the District' issuance of a total of $60,475,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and stormwater drainage facilities to serve the District (the "Utility System"). After the issuance of the Bonds, a total of $46,230,000 in principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued.

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

Election Date	Purpose	Amount Authorized	Amount Issued	Remaining Authorized But Unissued
May 14, 2011	Utility System	$ 60,475,000	$14,245,000 (a)	$ 46,230,000
May 14, 2011	Road System	33,550,000	12,730,000	20,820,000
May 14, 2011	Park System	5,720,000	0	5,720,000
May 14, 2011	Refunding	99,745,000	0	99,745,000

(a) Includes the Bonds.

The Bonds are issued pursuant to (i) the Bond Order, (ii) the Constitution and general laws of the State of Texas, particularly the District Act, (iii) an election held within the District on May 14, 2011, and (iv) an order issued by the TCEQ.

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.

Outstanding Bonds

The Bonds are the District's third series of bonds issued for the Utility System. The District previously issued two series of bonds for the Utility System: the $5,940,000 Unlimited Tax Bonds, Series 2016, and $3,590,000 Unlimited Tax Bonds, Series 2019A. The District has also previously issued four series of bonds for the Road System: $4,365,000 Unlimited Tax Road Bonds, Series 2016A; $3,890,000 Unlimited Tax Road Bonds, Series 2017; $1,525,000 Unlimited Tax Road Bonds, Series 2018; and $2,950,000 Unlimited Tax Road Bonds, Series 2019. Of such six series of bonds previously issued by the District, $20,760,000 principal remains outstanding as of March 1, 2021 (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds." The District has never defaulted on the timely payment of debt service on its bonded indebtedness.

Funds

The Bond Order confirms the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, wastewater and storm drainage, and recreational facilities ("Utility Bonds") from funds received to pay debt service on bonds issued to finance road facilities ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from Utility Bonds and Road Bonds. Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Debt Service Fund created in respect of Utility Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect to Utility Bonds.

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, into the sub-account of the Debt Service Fund created in respect of Utility Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Utility Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Utility Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar (defined herein), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the Districts duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Utility Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Road Bonds, will not be allocated to the payment of the Bonds.

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.

Redemption Provisions

Mandatory Redemption

The Bonds that mature on September 1, 2028, 2030, 2032, 2034, 2036, 2042 and 2045, are term bonds (the "Term Bonds") and shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced 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):

$340,000 Term Bonds Maturing on September 1, 2028

Mandatory Redemption Date	Principal Amount
September 1, 2027	$ 170,000
September 1, 2028 (Maturity)	170,000

$355,000 Term Bonds Maturing on September 1, 2030

Mandatory Redemption Date	Principal Amount
September 1, 2029	$ 175,000
September 1, 2030 (Maturity)	180,000

$375,000 Term Bonds Maturing on September 1, 2032

Mandatory Redemption Date	Principal Amount
September 1, 2031	$ 185,000
September 1, 2032 (Maturity)	190,000

$385,000 Term Bonds Maturing on September 1, 2034

Mandatory Redemption Date	Principal Amount
September 1, 2033	$ 190,000
September 1, 2034 (Maturity)	195,000

$405,000 Term Bonds Maturing on September 1, 2036

Mandatory Redemption Date	Principal Amount
September 1, 2035	$ 200,000
September 1, 2036 (Maturity)	205,000

$465,000 Term Bonds Maturing on September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2041	$ 230,000
September 1, 2042 (Maturity)	235,000

$735,000 Term Bonds Maturing on September 1, 2045	
Mandatory Redemption Date	Principal Amount
September 1, 2043	$ 240,000
September 1, 2044	245,000
September 1, 2045 (Maturity)	250,000

Notice of mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

Effects of Redemption

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

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, an Alabama state banking corporation, in Houston, Texas, as the initial 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. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from the income of a Beneficial Owner (hereinafter defined) for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

> (a) "All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
>
> (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $60,475,000 unlimited tax bonds for the purpose of acquiring or constructing the Utility System and could authorize additional amounts. Following the issuance of the Bonds, the District will have $46,230,000 in principal amount of unlimited tax bonds authorized but unissued for the Utility System. The District's voters have also authorized the issuance of $33,550,000 unlimited tax bonds for the Road System and $5,720,000 in unlimited tax bonds for the Park System, and could authorize additional amounts. See "Financing Road Facilities" and "Financing Recreational Facilities" below. The District voters have also authorized a total of $99,745,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has $99,745,000 unlimited tax refunding bonds authorized but unissued.

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

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

Following the issuance of the Bonds, the District will owe the Developer approximately $1,919,784 for the expenditures to construct the Utility System to serve the developed land within the District and no remaining funds for the expenditures to construct the Road System to serve the developed land within the District. See "INVESTMENT CONSIDERATIONS – Future Debt."

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and the District Act, the District is authorized to develop and finance with property taxes certain road facilities following a successful District election to approve the issuance of road bonds payable from taxes. At an election held within the District on May 4, 2011, the voters of the District authorized the issuance of a total of $33,550,000 in unlimited tax bonds for financing and constructing road facilities. The District has issued $12,730,000 in road bonds from said authorizations and could issue additional amounts. See "–Issuance of Additional Debt" herein and INVESTMENT CONSIDERATIONS – Future Debt." Issuance of additional bonds for road facilities may dilute the security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed one-percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated costs of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 14, 2011, voters of the District authorized a total of $5,720,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System, and could authorize additional amounts. The District has not issued any bonds pursuant to such authorization. Issuance of bonds for the Park System could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT – Strategic Partnership Agreement."

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

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 right to seek 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. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies."

Defeasance

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable laws, including, without limitation, Chapter 1207, Texas Government Code, as amended.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC 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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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 Issue 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).

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by the District's Engineer (herein defined). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (defined herein). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

A portion of the proceeds of the Bonds will be used to reimburse the Developer (as defined herein) for (1) the construction and engineering costs of the water, sewer and drainage facilities to serve the development of Bridges on Lake Houston Sections 3 and 4; (2) the construction and engineering costs associated with the clearing and grubbing for the water, sewer and drainage facilities to serve the development of Bridges on Lake Houston Sections 3 and 4; (3) the construction and engineering costs associated with the clearing and grubbing for the Bridges on Lake Houston Sections 5 and 6 Sanitary Sewer Trunkline; (4) the construction and engineering costs associated with the Sanitary Sewer Lift Station No. 1; (5) the District's share of the construction and engineering costs related to certain joint use facilities shared with Harris County MUD No. 153; and (6) certain District operating costs. Additionally, proceeds from the Bonds will be used to pay certain operating costs of the District, and certain costs of issuance of the Bonds.

Construction Costs	
Construction Costs approved by the TCEQ	$ 3,426,226
Accrued Interest on Construction Costs	612,911
Total Construction Related Costs	$ 4,039,137
Non-Construction Costs	
Bond Discount (3.00%)	$ 129,368
Total Non-Construction Costs	$ 129,368
Issuance Costs and Fees	
Issuance Costs and Professional Fees	$ 265,710
Developer Operating Cost Advances	212,200
Bond Application Report Costs	40,000
State Regulatory Fees	16,503
Contingency (a)	12,082
Total Issuance Costs and Fees	$ 546,495
Total Bond Issue Requirement	**$ 4,715,000**

(a) Represents the difference between the estimated and actual amounts of bond discount.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a municipal utility district created pursuant to the District Act, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City (except as described below under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to certain limitations, develop and finance roads. See "THE BONDS – Issuance of Additional Debt" and "– Financing Recreational Facilities."

The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City and filed in the real property records of Harris County, Texas.

Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE UTILITY SYSTEM."

Strategic Partnership Agreement

The District and the City have entered into a Strategic Partnership Agreement dated effective December 29, 2011 (the "SPA"), pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. 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 to the maximum extent permitted by TCEQ rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose a one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 26 acres planned for retail and commercial development within the District. The City pays to the District an amount equal to forty percent (40%) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use 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 or the Outstanding Bonds.

Description

The District is located in Harris County, Texas, approximately 21 miles northeast of the City's Central Business District and is wholly within the boundaries of the extraterritorial jurisdiction of the City and within the boundaries of Humble Independent School District. The District lies generally east of W. Lake Houston Parkway, South of FM 1960, north of US 90, and west of Lake Houston.

District Investment Policy

The District has adopted an investment policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The policy of the District is to invest District funds only in instruments which further the following investment obligations of the District, stated in the order of importance: (1) the preservation of safety of principal; (2) liquidity; and (3) yield. The District does not own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Management of the District

The District is governed by a board of directors (the "Board"), consisting of five directors, which has control over and management and supervision of all affairs of the District. All directors serve four-year staggered terms. The present members and officers of the Board and their positions are listed below.

Name	Position	Term Expires May
Richard Beal	President	2022
Leland Jackson	Vice President	2022
Candace Wood	Secretary	2022
Nikisha Walton	Assistant Secretary	2024
David Jerger	Assistant Secretary	2024

The District contracts with the following companies and individuals to operate and maintain its facilities:

Tax Assessor/Collector: The District's Tax Assessor/Collector is Tommy Lee of Assessments of the Southwest, Inc. (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is Municipal Accounts & Consulting, L.P.

Utility System Operator: The District's operator is Municipal Operations & Consulting, Inc.

Auditor: The District engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ended March 31, 2020. The District's audited financial statements are attached as "APPENDIX A" to this Official Statement.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is BGE, Inc. (the "Engineer").

Bond Counsel and General Counsel: Schwartz, Page & Harding, LLP, Houston, Texas, ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P., serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, ("Disclosure Counsel") serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District (the "Financial Advisor"). Payment to the Financial Advisor by the District is contingent upon the issuance, sale, and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

STATUS OF DEVELOPMENT

The District contains approximately 331.84 acres. Approximately 236.01 acres within the District have been developed as 639 single-family lots, comprising the residential subdivision of Bridges on Lake Houston, Sections 1–9. A 13.27-acre multi-family tract within Bridges on Lake Houston, 1.95 acres have been developed as commercial property, a CVS store, serving Bridges on Lake Houston and 7.24 acres have been developed as a recreational center serving Bridges on Lake Houston. As of March 1, 2021, the residential development in the District included approximately 577 completed homes (569 occupied, 8 unoccupied, and 2 model homes), 17 homes under construction, and approximately 42 vacant developed lots. The remaining land within the District consists of approximately 40 undeveloped but developable acres and approximately 33.37 undevelopable acres.

The table below summarizes the development within the District as of March 1, 2021.

Bridges on Lake Houston,	Section Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Section 1	27.97	99	99	–	–
Section 2	18.93	41	39	–	2
Section 3	30.13	105	104	–	1
Section 4	21.74	45	45	–	–
Section 5	21.43	75	75	–	–
Section 6	19.83	52	22	17	13
Section 7	47.57	97	97	–	–
Section 8	25.87	64	38	–	26
Section 9	22.54	60	60	–	–
Totals	236.01	638	579	17	42
Multi-family Tract	13.27				
Recreational Center	7.24				
Commercial Property	1.95				
Undevelopable	33.37				
Remaining Developable	40.00				
District Total	331.84				

Future Development

The District can make no representation that any future development will occur within the District. In the event that future development does occur within the District, it is anticipated that the development costs will be financed through the sale of future District bond issues.

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AERIAL PHOTOGRAPH OF THE DISTRICT
(taken February 2021)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(taken February 2021)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(taken February 2021)

PRINCIPAL LANDOWNER/DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the utilities and streets to be constructed in the community, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, a developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage and recreational facilities in a municipal management district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

D.R. Horton-Texas, Ltd.

The developer of land within the District is D.R. Horton-Texas, Ltd., a Texas limited partnership (the "Developer"), which is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange as DHI. Audited financial statements for D.R. Horton, Inc. can be found online at https://investor.drhorton.com. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor D.R. Horton, Inc. has any legal commitment to the District or to owners of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and D.R. Horton, Inc. is subject to change at any time. Because of the foregoing, financial information concerning the Developer and D.R. Horton, Inc. will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION."

Homebuilder within the District

The homebuilder active within the District is D.R. Horton which is building under the names D.R. Horton and Emerald Homes. New homes being constructed within the District range in price from approximately $300,000 to $900,000+ and range in size from approximately 2,100 square feet to 3,800+ square feet.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the District's Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, Harris County, Texas, and the Harris County Flood Control District. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District's waterworks and sewage treatment facilities is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply Facilities

The District obtains its water supply from Harris County Municipal Utility District No. 153 ("HCMUD153") pursuant to that certain Water Supply and Sanitary Sewer Agreement dated May 1, 2013, as amended, entered into by and between the District and HCMUD153 (the "Agreement"). The District currently has 1,000 equivalent single-family connections ("ESFCs") of capacity in the HCMUD153 water distribution system per the Agreement.

Wastewater Treatment Facilities

The District is provided wastewater treatment through its ownership of 0.264 million gallons per day ("MGD") of capacity in the Atascocita Regional Wastewater Treatment Plant (the "Regional Plant"), which is sufficient to serve 825 ESFCs. The Regional Plant is operated under TCEQ Permit No. WQ0011533001 with a total permitted average daily flow of 9.00 MGD. In addition, the District has purchased 150 ESFCs of wastewater conveyance and treatment capacity in the HCMUD153 system per the Agreement between the District and HCMUD153 for a total capacity of 975 ESFCs.

Drainage

The storm water runoff flows from curb and gutter streets into a system of underground storm sewers which ultimately drain to Lake Houston.

THE ROAD SYSTEM

Construction of the District's roads is subject to certain regulations by the City and Harris County, Texas. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade. Remaining streets provide local interior service within the District. The Utility System also includes streetlights. Public utilities such as water, wastewater, and storm drainage are typically located within street rights-of-way.

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Operating History

The following statement sets forth in condensed form the historical results of operation of the District. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for the years ended March 31, 2016 – March 31, 2020. Reference is made to such statement for further and more complete information. The figures for the period ended February 9, 2021, are unaudited and were obtained from the Bookkeeper. See "APPENDIX A."

	UNAUDITED	Fiscal Year Ended				
	2021 (a)	2020	2019	2018	2017	2016
REVENUES						
Property taxes	$ 559,130	$ 776,657	$ 624,621	$ 636,505	$ 659,359	$ 311,648
Water service	337,758	316,808	239,497	187,268	149,942	93,829
Wastewater service	317,105	290,010	236,290	159,450	116,244	66,641
Regional Water Authority Fee	90,632	82,779	54,587	52,519	39,691	25,036
Penalty and Interest	13,804	7,050	8,727	4,872	3,804	1,961
Tap Connection and Inspection Fees	130,935	39,265	364,420	210,615	110,400	169,640
Miscellaneous Revenues	22,468	47,236	26,914	15,042	6,412	5,632
TOTAL REVENUES	$ 1,471,832	$ 1,559,805	$ 1,555,056	$ 1,266,271	$ 1,085,852	$ 674,387
EXPENDITURES						
Professional Fees	$ 121,253	$ 143,849	$ 155,004	$ 149,332	$ 129,688	$ 130,559
Contracted Services	274,839	303,255	260,210	234,651	84,368	46,238
Purchased Water Service	48,901	58,489	47,648	34,679	20,906	14,540
Purchased Wastewater Service	89,040	88,070	47,802	61,133	40,141	33,947
Utilities	42,923	61,760	52,358	40,564	35,979	15,631
Regional Water Authority Assessment	32,842	29,351	19,464	52,425	36,340	–
Repairs and Maintenance	145,708	116,521	114,289	72,414	123,599	172,175
Other	137,425	94,205	265,377	172,010	116,185	196,460
Capital outlay	126,763	8,123	692,132	1,130,854	492,113	2,083,994
TOTAL EXPENDITURES	$ 1,019,694	$ 903,623	$ 1,654,284	$ 1,948,062	$ 1,079,319	$ 2,693,544
Excess Revenues (Expenditures)	452,138	656,185	(99,228)	(681,791)	6,533	(2,019,157)
Developer Advances	–	–	303,931	941,404	681,563	2,089,236
Balance, Beginning of Year	$ 2,009,108	$ 1,352,926	$ 1,148,223	$ 888,610	$ 200,514	$ 130,435
Balance, End of Year	$ 2,461,246	$ 2,009,108	$ 1,352,926	$ 1,148,223	$ 888,610	$ 200,514

(a) Unaudited as of February 9, 2021, obtained from the Bookkeeper.

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2020 Assessed Valuation	$	196,827,065	(a)
Estimate of Assessed Valuation as of January 1, 2021	$	225,779,279	(b)
Direct Debt:			
The Outstanding Bonds (as of March 1, 2021)	$	20,760,000	
The Bonds	$	4,715,000	
Total	$	25,475,000	
Estimated Overlapping Debt	$	11,284,197	(c)
Total Direct and Estimated Overlapping Debt	$	36,759,197	(c)
Direct Debt Ratio:			
As a percentage of 2020 Assessed Valuation		12.94	%
As a percentage of Estimate of Assessed Valuation as of January 1, 2021		11.28	%
Direct and Estimated Overlapping Debt Ratio:			
As a percentage of 2020 Assessed Valuation		18.68	%
As a percentage of Estimate of Assessed Valuation as of January 1, 2021		16.28	%
Road System Debt Service Fund (as of January 12, 2021)	$	344,860	(d)
Utility System Debt Service Fund (as of January 12, 2021)	$	212,265	(e)
Capital Projects (as of January 12, 2021)	$	161,748	
Operating Fund (as of January 12, 2021)	$	1,855,805	
Combined Average Annual Debt Service Requirement (2021–2045)	$	1,402,087	(f)
Combined Maximum Annual Debt Service Requirement (2038)	$	1,631,414	(f)

(a) Represents the taxable value of the District as of January 1, 2020, as certified by the Harris County Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by Harris County Appraisal District for information purposes only. Represents new construction within the District from January 1, 2020, to January 1, 2021. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Estimated Overlapping Debt."

(d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Bonds.

(e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Accrued interest from May 1, 2021, to the date of delivery will be deposited in the Utility System Debt Service Fund upon closing. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System.

(f) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt as of January 31, 2021	Overlapping Percent	Overlapping Amount
Harris County	$ 1,672,657,125	0.04%	$ 651,393
Harris County Department of Education	20,185,000	0.04%	7,786
Harris County Flood Control District	334,270,000	0.04%	132,767
Harris County Hospital District	86,050,000	0.04%	34,158
Humble Independent School District	935,780,000	1.05%	9,787,843
Lone Star College System	542,290,000	0.09%	474,775
Port of Houston Authority	492,439,397	0.04%	195,476

Total Estimated Overlapping Debt	$11,284,197
The District (a)	$25,475,000
Total Direct & Estimated Overlapping Debt (a)	$36,759,197

(a) Includes the Bonds.

Debt Ratios

	2020 Assessed Valuation	Estimated Valuation as of January 1, 2021
Direct Debt (a)	12.94%	11.28%
Total Direct and Estimated Overlapping Debt (a)	18.68%	16.28%

(a) Includes the Bonds.

Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Outstanding Bonds as well as the principal and interest requirements on the Bonds.

Calendar Year	Outstanding Debt Service (a)	Plus: The Bonds Principal	Interest	Debt Service	Total Debt Service
2021	$ 988,942	$ –	$ 32,446	$ 32,446	$ 1,021,388
2022	1,323,034	150,000	97,338	247,338	1,570,371
2023	1,317,254	155,000	92,088	247,088	1,564,341
2024	1,328,804	155,000	86,663	241,663	1,570,466
2025	1,329,779	160,000	81,238	241,238	1,571,016
2026	1,329,833	165,000	75,638	240,638	1,570,470
2027	1,333,743	170,000	73,988	243,988	1,577,730
2028	1,341,445	170,000	72,288	242,288	1,583,733
2029	1,342,570	175,000	70,588	245,588	1,588,158
2030	1,347,395	180,000	67,963	247,963	1,595,358
2031	1,355,883	185,000	65,263	250,263	1,606,145
2032	1,357,495	190,000	62,025	252,025	1,609,520
2033	1,362,495	190,000	58,700	248,700	1,611,195
2034	1,365,683	195,000	54,900	249,900	1,615,583
2035	1,372,476	200,000	51,000	251,000	1,623,476
2036	1,372,733	205,000	47,000	252,000	1,624,733
2037	1,365,776	210,000	42,900	252,900	1,618,676
2038	1,377,714	215,000	38,700	253,700	1,631,414
2039	1,372,118	220,000	34,400	254,400	1,626,518
2040	1,375,055	225,000	30,000	255,000	1,630,055
2041	736,331	230,000	25,500	255,500	991,831
2042	739,394	235,000	20,613	255,613	995,006
2043	486,613	240,000	15,619	255,619	742,231
2044	401,925	245,000	10,519	255,519	657,444
2045	–	250,000	5,313	255,313	255,313
Total	$ 29,024,486	$ 4,715,000	$ 1,312,683	$ 6,027,683	$ 35,052,169

Combined Average Annual Requirement (2021–2045) .... $ 1,402,087

Combined Maximum Annual Requirement (2038) .... $ 1,631,414

(a) Outstanding debt service as of March 1, 2021.

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran, or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, or (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2020 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may 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 comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “Rollback of Operation and Maintenance Tax Rate.” The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land’s capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District’s Tax Assessor/Collector, as of January 1, 2021, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City, Harris County, or the District may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District’s Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District’s contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty, and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District’s contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District’s contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Property Tax Code.

The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Texas law classifies certain special purpose districts, including the District, differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified herein as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to Texas law is described for each classification below. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. 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 than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

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

Developing Districts

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

The District

For the 2020 tax year, the District determined its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "DISTRICT DEBT – 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. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt.

The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS – Tax Collections and Foreclosure Remedies."

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed $1.50 per $100 of assessed valuation, for operation and maintenance purposes. For 2020, the District has levied a total tax rate of $1.30 per $100 assessed taxable value, being composed of the following: $0.48 per $100 of assessed taxable value for debt service on the Outstanding Bonds for the Utility System; $0.37 per $100 of assessed taxable value for debt service on the Outstanding Bonds for the Road System; and $0.45 per $100 assessed taxable value for maintenance and operations.

Tax Rate Limitation

Road System Debt Service:	Unlimited (no legal limit as to rate or amount)
Utility System Debt Service	Unlimited (no legal limit as to rate or amount)
Maintenance and Operations:	$1.50 per $100 Assessed Valuation

Historical Tax Collections

The following table illustrates the collection history of the District from the 2016–2020 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 3/31	Collections 1/31/2021
2016	72,097,870	1.50	1,081,468	98.76	2017	100.00
2017	99,654,851	1.50	1,494,823	98.95	2018	100.00
2018	116,402,208	1.40	1,746,033	99.75	2019	100.00
2019	148,939,573	1.35	2,085,154	99.28	2020	99.62
2020	196,827,065	1.30	2,558,752	85.30 (b)	2021	85.30 (b)

(a) Tax rate per $100 of assessed valuation. Includes a tax for maintenance and operation purposes. See "Tax Rate Distribution" below.
(b) In process of collections. Collections as of January 31, 2021.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Road System Debt Service	$0.3700	$0.4400	$0.5900	$0.6000	$0.2600
Utility System Debt Service	$0.4800	$0.3800	$0.2900	$0.3100	$0.3600
Maintenance & Operations	$0.4500	$0.5300	$0.5200	$0.5900	$0.8800
	$1.3000	$1.3500	$1.4000	$1.5000	$1.5000

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the 2016–2020 tax years by type of property.

Type of Property	2020 Assessed Taxable Valuation	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation
Land	$ 62,372,901	$ 58,116,386	$ 49,147,183	$ 43,824,991	$ 33,471,073
Improvements	140,232,088	95,407,086	71,654,213	59,451,518	40,309,105
Personal Property	2,244,875	1,666,667	642,783	184,225	88,043
Exemptions	(7,716,818)	(6,250,566)	(5,041,971)	(3,805,883)	(1,770,351)
Total	$ 197,133,046	$ 148,939,573	$ 116,402,208	$ 99,654,851	$ 72,097,870

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their taxable assessed values as of January 1, 2020.

Taxpayer	Type of Property	Assessed Taxable Valuation 2020 Tax Roll	Percent of District 2020 Value
DHIC Bridges LLC	Land & Improvements	$ 35,384,780	17.98%
First BTS West Lake LLC	Land & Improvements	4,156,289	2.11%
143 147 Christopher St. Corp	Land & Improvements	2,895,355	1.47%
DR Horton Texas LTD (a)	Land & Improvements	1,140,416	0.58%
CVS Pharmacy Inc.	Land & Improvements	1,075,635	0.55%
Homeowner	Land & Improvements	771,051	0.39%
Homeowner	Land & Improvements	724,000	0.37%
Homeowner	Land & Improvements	722,200	0.37%
Homeowner	Land & Improvements	714,088	0.36%
Homeowner	Land & Improvements	702,874	0.36%
		$ 48,286,688	24.53%

(a) See "PRINCIPAL LANDOWNER/DEVELOPER" and "INVESTMENT CONSIDERATIONS – Factors affecting Taxable Values and Tax Payments – Developer's Obligations to the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2020 Assessed Valuation ($196,827,065) or the Estimate of Assessed Valuation as of January 1, 2021 ($225,779,279). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirement (2021–2045)	$ 1,402,087
Combined Tax Rate of $0.75 on the 2020 Assessed Valuation produces	$ 1,402,393
Combined Tax Rate of $0.66 on the January 1, 2021, Estimated Valuation produces	$ 1,415,636
Combined Maximum Annual Debt Service Requirement (2038)	$ 1,631,414
Combined Tax Rate of $0.88 on the 2020 Assessed Valuation produces	$ 1,645,474
Combined Tax Rate of $0.77 on the January 1, 2021, Estimated Valuation produces	$ 1,651,575

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Estimated Overlapping Debt"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2020 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2020 Tax Rate Per $100 of A.V.
The District	$ 1.300000
Harris County	0.391160
Harris County Flood Control District	0.031420
Harris County Department of Education	0.004993
Harris County Hospital District	0.166710
Port of Houston Authority	0.009910
Humble Independent School District	1.384050
Lone Star College System	0.107800
Harris County Emergency Services District No. 46	0.100000
Total Tax Rate	$ 3.496043

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INVESTMENT CONSIDERATIONS

General

The Bonds are solely obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas (the "City"); or any political subdivision other than the District. The Bonds are secured by an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS – Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing and commercial retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Infectious Disease Outbreak – 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 the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in the State (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State.

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 the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. In addition to the actions by the State and federal officials, certain local officials have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, State and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the State and national economies.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and caused volatility in financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State. Stock values and crude oil prices, in the U.S. and globally, have seen significant volatility attributed to COVID-19 concerns. The State 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 and volatility, if continued, 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.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. While the potential impact of COVID-19 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 may not reflect the full economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the full economic impact of the Pandemic on the District's financial condition.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential home building industry in the City's metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including the price of oil and gasoline prices. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT."

Location and Access: The District is located in a suburb of the City's metropolitan area, approximately 21 miles northeast from the central business district of the City. As a result, particularly during times of increased competition, the Developer (hereinafter defined) within the District may be at a competitive disadvantage to the developers in other projects located closer to major urban centers or in a more developed state. See "STATUS OF DEVELOPMENT."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with respect to the development of land in the District, or of any home builder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "STATUS OF DEVELOPMENT" and "PRINCIPAL LANDOWNER/DEVELOPER."

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2020 owned property located within the District, the aggregate assessed valuation of which comprised approximately 24.53% of the District's total 2020 assessed valuation. D.R. Horton Texas LTD (the "Developer"), owned approximately 0.58% of the District's 2020 assessed valuation. In the event that the Developer or any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "TAXING PROCEDURES – Levy and Collection of Taxes" and "TAX DATA – Principal Taxpayers."

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2020 assessed valuation of the District is $196,827,065 and the estimated assessed value as of January 1, 2021, is $225,779,279 (see "TAX DATA"). After issuance of the Bonds, the combined maximum annual debt service requirement of the Outstanding Bonds (herein defined) and the Bonds will be $1,631,414 (2038) and the combined average annual debt service requirement of the Outstanding Bonds and the Bonds will be $1,402,087 (2021–2045). Based on the 2020 assessed valuation with no use of funds on hand and a 95% collection rate, a combined tax rate of $0.88 per $100 assessed valuation would be necessary to pay the maximum annual debt service requirement and a combined tax rate of $0.75 per $100 assessed valuation would be necessary to pay the average annual debt service requirement. Based on the Estimated Valuation as of January 1, 2021, with no use of funds on hand and a 95% collection rate, a combined tax rate of $0.77 per $100 assessed valuation would be necessary to pay the maximum annual debt service requirement and a combined tax rate of $0.66 per $100 assessed valuation would be necessary to pay the average annual debt service requirement. See "DISTRICT DEBT – Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Tax Collections 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 (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District reserves in the Bond Order the right to issue the remaining $46,230,000 in unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Utility System; $20,820,000 unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; $5,720,000 in unlimited tax bonds authorized but unissued for the purpose of purchasing, constructing, operating and maintaining the Park System; $99,745,000 in unlimited tax bonds authorized but unissued for refunding purposes; and such additional bonds as may hereafter be approved by the voters of the District. See "THE BONDS – Issuance of Additional Debt." The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order.

All of the remaining bonds described above, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. The Engineer currently estimates that the aforementioned $46,230,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the Utility System to provide service to all of the currently undeveloped portions of the District; the $20,820,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the Road System to provide service to all of the currently undeveloped portions of the District; and the $5,720,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the Park System to provide service to all of the currently undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developer approximately $1,919,784 for the expenditures to construct the Utility System to serve the developed land within the District and no additional funds for the expenditures to construct the Road System. See "THE BONDS – Issuance of Additional Debt."

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Collection of Taxes

The District's ability to pay debt service on the Bonds may be adversely affected by its ability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien on the property in favor of the District on a parity with the lien of all other state and local authorities. Such lien can be foreclosed in judicial proceedings. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of a tax collection procedure against a taxpayer or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property including the taxpayer's right to redeem property for a specified period of time after foreclosure at the foreclosure sale price. See "TAXING PROCEDURES – Levy and Collection of Taxes."

Marketability of the Bonds

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas, law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. The rights and remedies of the Registered Owners could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

Environmental Regulations

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

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

Sanctions against a municipal utility 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 area ("HGB area") – Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties – has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 ("the 1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 ("the 2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 ("the 2015 Ozone Standard). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

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

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

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ 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.

On August 23, 2019, the EPA reclassified the HGB Area from “moderate” to “serious” under the 2008 Ozone Standard. The attainment date for “serious” nonattainment areas is July 20, 2021 with a 2020 attainment year. Accordingly, the responsible state air agencies must submit SIP revisions and implement controls to satisfy the statutory and regulatory requirements for “serious” areas for the 2008 Ozone Standard.

In response to the Proposed Rule, the TCEQ submitted comments on December 11, 2018 and requested a hearing to provide testimony to the EPA regarding disagreement with the EPA’s proposed deadlines for various SIP requirements including the proposed SIP submittal deadline for attainment demonstration and reasonable further progress SIP revisions and the proposed implementation deadline for reasonably available control technology (“RACT”). In the TCEQ’s comments, the TCEQ recommended alternative SIP submittal and RACT implementation deadlines to account for the significant time, effort, and resources required for SIP development and to allow affected entities time to comply with the new rule requirements.

The EPA received multiple requests for a public hearing in response to the Proposed Rule and subsequently held a public hearing on February 15, 2019. In addition, the time allowed for public comment was reopened from February 8, 2019 until February 22, 2019.

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

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 demonstrate progress in reducing ozone levels.

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:

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the State from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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 will become effective on June 20, 2020, which is 60 days after the date of its publication in the Federal Register and will likely become the subject of further litigation.

Due to ongoing rulemaking activity, as well as 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.

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 retroactively to the date of original issuance. See "LEGAL MATTERS – Tax Exemption."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

2021 Legislation

The Texas Legislature is currently in session for its 87th Regular Session (the "Regular Session"), which is scheduled to end May 31, 2021. In addition, the Governor may call one or more additional special sessions following the Regular Session. During this time, the Texas Legislature may enact laws that materially change taxing procedures or statutory authority related thereto. The District can make no representation regarding the actions the Texas Legislature may take.

Bond Insurance Risk Factors

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the District or Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, 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, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold, and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT – Strategic Partnership Agreement," and "– Management of the District – Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

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

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order 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.

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, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. 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 ownership of the Bonds.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium 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 accrued period or be in excess of one year (the "Original Issue Discount Bonds"). 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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 amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH 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.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). 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 initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser 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 a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser 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.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually.

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB through its EMMA system.

The financial information and operating data which will be provided with respect to the District is found under the headings “DISTRICT DEBT,” “TAX DATA,” and “APPENDIX A.” The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2021. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when and if the audit report becomes available.

The District’s current fiscal year end is March 31. Accordingly, it must provide updated information by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Material Event Notices

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

Availability of Information from MSRB

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or the Developer, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of such Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the 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 2016 the District entered into its first continuing disclosure undertaking pursuant to the Rule. For its fiscal year ended March 31, 2016, the District did not file financial information and operating data within the six-month period required under such continuing disclosure undertaking agreements. The filing, together with a notice of late filing, has subsequently been made.

Except to the extent the preceding is deemed to be material, the District has complied in all material respects with its continuing disclosure undertakings pursuant to the Rule.

GENERAL CONSIDERATIONS

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders and engineering and other related reports set forth herein are included 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.

The District's financial statements for the year ended March 31, 2020, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been attached hereto as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has agreed to the publication of its audit opinion on such financial statements in this Official Statement. The District did not request McCall Gibson Swedlund Barfoot

PLLC to perform any updating procedures subsequent to the date of its audit report on the March 31, 2020, financial statements. Such Firm has been engaged to perform an audit of the District's financial statements for the fiscal year ended March 31, 2021.

Updating of Official Statement

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that, to the best of its knowledge, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources that are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 494 as of the date shown on the cover page hereof.

/s/ Richard Beal
President, Board of Directors
Harris County Municipal Utility District No. 494

ATTEST:

/s/ Candace Wood
Secretary, Board of Directors
Harris County Municipal Utility District No. 494

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2020

T A B L E O F C O N T E N T S

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal
Utility District No. 494
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 494 (the "District"), as of and for the year ended March 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 District'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.

Board of Directors
Harris County Municipal Utility District No. 494

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 March 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.

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

July 14, 2020

Management's discussion and analysis of Harris County Municipal Utility District No. 494's (the "District") financial performance provides an overview of the District's financial activities for the year ended March 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 similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets and liabilities, 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 year. All current revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating 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 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 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 period. 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"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by $12,030,397 as of March 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land, capacity interest in joint facilities and the water, wastewater and drainage systems, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of 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	$ 3,883,560	$ 2,875,118	$ 1,008,442
Capital Assets (Net of Accumulated Depreciation)	19,057,181	19,075,058	(17,877)
Total Assets	$ 22,940,741	$ 21,950,176	$ 990,565
Due to Developers	$ 13,543,965	$ 18,411,673	$ 4,867,708
Bonds Payable	21,247,630	15,121,762	(6,125,868)
Other Liabilities	179,543	172,205	(7,338)
Total Liabilities	$ 34,971,138	$ 33,705,640	$ (1,265,498)
Net Position:			
Net Investment in Capital Assets	$ (15,171,788)	$ (14,042,097)	$ (1,129,691)
Restricted	1,505,259	1,319,989	185,270
Unrestricted	1,636,132	966,644	669,488
Total Net Position	$ (12,030,397)	$ (11,755,464)	$ (274,933)

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

Summary of Changes in the Statement of Activities

	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,012,291	$ 1,627,490	$ 384,801
Charges for Services	745,899	917,340	(171,441)
Other Revenues	69,030	36,105	32,925
Total Revenues	$ 2,827,220	$ 2,580,935	$ 246,285
Expenses for Services	3,102,153	5,168,536	2,066,383
Change in Net Position	$ (274,933)	$ (2,587,601)	$ 2,312,668
Net Position, Beginning of Year	(11,755,464)	(9,167,863)	(2,587,601)
Net Position, End of Year	$ (12,030,397)	$ (11,755,464)	$ (274,933)

Note: The 2019 fiscal year end net position was adjusted – see Note 15

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The Districts combined fund balances as of March 31, 2020, were $3,691,393, an increase of $983,896 from the prior year. The General Fund fund balance increased by $656,182, primarily due to service revenues and property tax revenues exceeding operating and administrative costs. The Debt Service Fund fund balance increased by $181,368, primarily due the structure of the District's outstanding debt. The Capital Projects Fund fund balance increased by $146,346. The District issued its Series 2019 road and Series 2019A utility bonds and used proceeds of said bonds to reimburse developer-financed infrastructure projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were $99,884 more than budgeted revenues primarily due to higher than anticipated property tax revenues, offset by lower than anticipated tap fees. Actual expenditures were $180,457 less than budgeted expenditures primarily due to capital outlay and maintenance and repair costs being lower than anticipated.

CAPITAL ASSETS

Capital assets as of March 31, 2020, total $19,057,181 (net of accumulated depreciation) and include land, capacity interest in joint facilities and the water, wastewater and drainage systems. The District used proceeds from the sale of its Series 2019 road and Series 2019A utility bonds to reimburse its Developer for various projects (see Note 13).

Capital Assets At Year-End, Net of Accumulated Depreciation

	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,107,392	$ 1,107,392	$
Construction in Progress	9,724	67,043	(57,319)
Capital Assets, Net of Accumulated Depreciation:			
Capacity in Joint Facilities	3,860,785	3,900,015	(39,230)
Water System	2,505,505	2,575,730	(70,225)
Wastewater System	5,233,548	4,906,254	327,294
Drainage System	6,340,227	6,518,624	(178,397)
Total Net Capital Assets	$ 19,057,181	$ 19,075,058	$ (17,877)

LONG-TERM DEBT ACTIVITY

As of March 31, 2020, the District had total bond debt payable of $21,400,000. The changes in the debt position of the District during the fiscal year ended March 31, 2020, are summarized as follows:

Bond Debt Payable, April 1, 2019	$	15,310,000
Add: Bond Sales		6,540,000
Less: Bond Principal Paid		450,000
Bond Debt Payable, March 31, 2020	$	21,400,000

The Series 2018, Series 2019 and Series 2019A bonds have underlying ratings of "Baa3". The Series 2016 and 2016A Road Bonds are not rated. The Series 2017 Road and Series 2019A Bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2018 Road Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2019 Road bonds carry an insured rating of "AA" by virtue of bond insurance issued by Municipal Assurance Corporation. The above ratings reflect any changes during the current year.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 494, c/o Schwartz, Page & Harding, LLP, 1300 Post Oak Boulevard, Suite 1400, Houston, TX 77056.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 64,954	$ 334,350
Investments	1,904,411	1,187,342
Receivables:		
Property Taxes	27,024	41,982
Service Accounts	60,514	
Accrued Interest	11,725	12,897
Due from Other Funds	14,930	
Prepaid Costs	30,943	
Advances for Shared Facilities	44,381	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 2,158,882	$ 1,576,571

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 300	$ 399,604	$	$ 399,604
162,737	3,254,490		3,254,490
	69,006		69,006
	60,514		60,514
	24,622		24,622
	14,930	(14,930)	
	30,943		30,943
	44,381		44,381
		1,107,392	1,107,392
		9,724	9,724
		17,940,065	17,940,065
$ 163,037	$ 3,898,490	$ 19,042,251	$ 22,940,741

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 66,409	$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		14,930
Security Deposits	56,341	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 122,750	$ 14,930
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 27,024	$ 41,982
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 30,943	$
Operating Advances	44,381	
Restricted for Authorized Construction		
Restricted for Debt Service		1,519,659
Unassigned	1,933,784	
TOTAL FUND BALANCES	$ 2,009,108	$ 1,519,659
TOTAL LIABILITIES AND FUND BALANCES	$ 2,158,882	$ 1,576,571
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
$ 411	$ 66,820	$	$ 66,820
		56,382	56,382
		13,543,965	13,543,965
	14,930	(14,930)	
	56,341		56,341
		640,000	640,000
		20,607,630	20,607,630
$ 411	$ 138,091	$ 34,833,047	$ 34,971,138
$ -0-	$ 69,006	$ (69,006)	$ - 0 -
$	$ 30,943	$ (30,943)	$
	44,381	(44,381)	
162,626	162,626	(162,626)	
	1,519,659	(1,519,659)	
	1,933,784	(1,933,784)	
$ 162,626	$ 3,691,393	$ (3,691,393)	$ - 0 -
$ 163,037	$ 3,898,490		
		$ (15,171,788)	$ (15,171,788)
		1,505,259	1,505,259
		1,636,132	1,636,132
		$ (12,030,397)	$ (12,030,397)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2020

Total Fund Balances - Governmental Funds		$ 3,691,393
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		19,057,181
Deferred inflows of resources related to property tax revenues for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		69,006
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 Developer	$ (13,543,965)	
Accrued Interest Payable	(56,382)	
Bonds Payable	(21,247,630)	(34,847,977)
Total Net Position - Governmental Activities		$ (12,030,397)

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES
FOR THE YEAR ENDED MARCH 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 776,657	$ 1,203,274
Water Service	316,808	
Wastewater Service	290,010	
Water Authority Fees	82,779	
Penalty and Interest	7,050	9,987
Tap Connection and Inspection Fees	39,265	
Miscellaneous Revenues	47,236	21,248
TOTAL REVENUES	$ 1,559,805	$ 1,234,509
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 143,849	$ 3,304
Contracted Services	303,255	25,748
Purchased Water Service	58,489	
Purchased Wastewater Service	88,070	
Utilities	61,760	
Water Authority Assessments	29,351	
Repairs and Maintenance	116,521	
Depreciation		
Other	94,205	5,081
Developer Interest		
Capital Outlay	8,123	
Debt Service:		
Bond Principal		450,000
Bond Interest		569,008
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 903,623	$ 1,053,141
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 656,182	$ 181,368
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	$	$
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	$ -0-	$ -0-
NET CHANGE IN FUND BALANCES	$ 656,182	$ 181,368
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2019, AS ADJUSTED	1,352,926	1,338,291
FUND BALANCES/NET POSITION - MARCH 31, 2020	$ 2,009,108	$ 1,519,659

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,979,931	$ 32,360	$ 2,012,291
	316,808		316,808
	290,010		290,010
	82,779		82,779
	17,037		17,037
	39,265		39,265
546	69,030		69,030
$ 546	$ 2,794,860	$ 32,360	$ 2,827,220
$ 19,709	$ 166,862	$	$ 166,862
237	329,240		329,240
	58,489		58,489
	88,070		88,070
	61,760		61,760
	29,351		29,351
	116,521		116,521
		500,143	500,143
74	99,360		99,360
		401,874	401,874
5,743,725	5,751,848	(5,751,848)	
	450,000	(450,000)	
	569,008	23,433	592,441
658,042	658,042		658,042
$ 6,421,787	$ 8,378,551	$ (5,276,398)	$ 3,102,153
$ (6,421,241)	$ (5,583,691)	$ 5,308,758	$ (274,933)
$ 6,540,000	$ 6,540,000	$ (6,540,000)	$
(24,210)	(24,210)	24,210	
51,797	51,797	(51,797)	
$ 6,567,587	$ 6,567,587	$ (6,567,587)	$ -0-
$ 146,346	$ 983,896	$ (983,896)	$
		(274,933)	(274,933)
16,280	2,707,497	(14,462,961)	(11,755,464)
$ 162,626	$ 3,691,393	$ (15,721,790)	$ (12,030,397)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

Net Change in Fund Balances - Governmental Funds	$ 983,896
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	32,360
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(500,143)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets, are increased by new purchases and the Statement of Activities is not affected.	5,751,848
Governmental funds report bond premiums and discounts as other financing sources. However, in the Statement of Net Position, bond premiums and discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(27,587)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	450,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(425,307)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(6,540,000)
Change in Net Position - Governmental Activities	$ (274,933)

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

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 494 (the "District") was created by House Bill 3982, Chapter 782, Acts of the 80th Texas Legislature, Regular Session, May 11, 2007, codified as Chapter 8214 of the Texas Special District Local Laws Code. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "Commission"). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities, recreational facilities and road facilities and to provide such facilities and services to the customers of the District. The District sold its first series of bonds on June 28, 2016.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic 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 or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

The District is a participant with several other districts in the Atascocita Regional Sewage Treatment Plant (the "Plant"). Oversight of the Plant is exercised by a Joint Operations Board (see also Note 9).

The District is a participant with Harris County Municipal Utility District No. 153 in certain shared utility facilities. The participants share in operation and maintenance expenses and certain capital expenditures (see also Note 10).

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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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.

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

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

Capital Projects Fund - To account for financial resources restricted, committed or assigned 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 revenue 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.

Property taxes considered available by the District and included in revenue 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 year 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. As of March 31, 2020, the Debt Service Fund owed the General Fund $14,930 for maintenance tax collections.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Water, wastewater, and drainage facilities are depreciated over periods ranging from 10 to 45 years; and all other equipment is depreciated over periods ranging from 3 to 20 years.

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 not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original 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 considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

As of March 31, 2020, the District has authorized but unissued bonds in the amount of $50,945,000 for water, wastewater and drainage facilities, $5,720,000 for park facilities, $20,820,000 for roads, and $99,745,000 for refunding purposes. 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.

NOTE 3. LONG-TERM DEBT (Continued)

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

	April 1, 2019	Additions	Retirements	March 31, 2020
Bonds Payable	$ 15,310,000	$ 6,540,000	$ 450,000	$ 21,400,000
Unamortized Discounts	(198,357)	(24,210)	(10,022)	(212,545)
Unamortized Premiums	10,119	51,797	1,741	60,175
Total Bonds Payable	$ 15,121,762	$ 6,567,587	$ 441,719	$ 21,247,630

Amount Due Within One Year	$ 640,000
Amount Due After One Year	20,607,630
Total Bonds Payable	$ 21,247,630

	Series 2016	Series 2016A-Roads	Series 2017-Roads	Series 2018-Roads
Amount Outstanding – March 31, 2020	$5,595,000	$4,070,000	$3,700,000	$1,495,000
Interest Rates	2.00% - 3.75%	1.75% - 3.60%	2.125% - 4.500%	3.00% - 5.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2040	September 1, 2020/2040	September 1, 2020/2042	September 1, 2020/2043
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2024*	September 1, 2025*	September 1, 2023*

* Or any date thereafter, callable at par plus unpaid accrued interest in whole or at the option of the District. Series 2016 term bonds maturing on September 1, 2040, are subject to mandatory redemption beginning September 1, 2039. Series 2016A term bonds maturing on September 1, 2033, 2035, 2037, and 2040, are subject to mandatory redemption beginning September 1, 2031, 2034, 2036, and 2038, respectively. Series 2017 term bonds maturing on September 1, 2032, 2034, 2036, 2038, 2040, and 2042, are subject to mandatory redemption beginning September 1, 2031, 2033, 2035, 2037, 2039, and 2041, respectively. Series 2018 term bonds maturing on September 1, 2032, 2034, 2036, 2039, and 2043, are subject to mandatory redemption beginning September 1, 2030, 2033, 2035, 2037, and 2040, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2019-Roads	Series 2019A
Amount Outstanding – March 31, 2020	$2,950,000	$3,590,000
Interest Rates	3.00% - 4.00%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2044	September 1, 2020/2044
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2024*

* Or any date thereafter, callable at par plus unpaid accrued interest in whole or at the option of the District. Series 2019 term bonds maturing on September 1, 2031, 2033, 2035, 2037, 2039, and 2044, are subject to mandatory redemption beginning September 1, 2030, 2032, 2034, 2036, 2038, and 2040, respectively. Series 2019A term bonds maturing on September 1, 2029, 2031, 2033, 2035, 2037, 2039, 2041, and 2044, are subject to mandatory redemption beginning September 1, 2028, 2030, 2032, 2034, 2036, 2038, 2040, and 2042, respectively.

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

Fiscal Year	Principal	Interest	Total
2021	$ 640,000	$ 667,233	$ 1,307,233
2022	660,000	647,959	1,307,959
2023	685,000	627,644	1,312,644
2024	700,000	605,525	1,305,525
2025	735,000	581,791	1,316,791
2026-2030	4,040,000	2,581,171	6,621,171
2031-2035	4,785,000	1,928,993	6,713,993
2036-2040	5,690,000	1,074,607	6,764,607
2041-2045	3,465,000	216,793	3,681,793
	$ 21,400,000	$ 8,931,716	$ 30,331,716

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended March 31, 2020, the District levied an ad valorem debt service tax rate of \$0.82 per \$100 of assessed valuation, which resulted in a tax levy of \$1,221,140 on the adjusted taxable valuation of \$148,919,573 for the 2019 tax year. The bond orders required the District to ley and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District is required to provide to certain information repositories continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District.

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 be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

<u>Deposits</u>

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year end, the carrying amount of the District’s deposits was \$2,029,604 and the bank balance was \$2,039,835. The District was not exposed to custodial credit risk at year-end.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 64,954	$ 1,065,000	$ 1,129,954
DEBT SERVICE FUND	334,350	565,000	899,350
CAPITAL PROJECTS FUND	300		300
TOTAL DEPOSITS	$ 399,604	$ 1,630,000	$ 2,029,604

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.

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. The District records certificates of deposit at acquisition cost.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
Texas CLASS	$ 839,411	$ 839,411
Certificates of Deposit	1,065,000	1,065,000
DEBT SERVICE FUND		
Texas CLASS	622,342	622,342
Certificates of Deposit	565,000	565,000
CAPITAL PROJECTS FUND		
Texas CLASS	162,737	162,737
TOTAL INVESTMENTS	$ 3,254,490	$ 3,254,490

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in Texas CLASS were rated AAAm by Standard & Poor's. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

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 maturities of less than one year since the share positions 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 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 year ended March 31, 2020 is as follows:

	April 1, 2019	Increases	Decreases	March 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,107,392	$	$	$ 1,107,392
Construction in Progress	67,043	482,266	539,585	9,724
Total Capital Assets Not Being Depreciated	$ 1,174,435	$ 482,266	$ 539,585	$ 1,117,116
Capital Assets Subject to Depreciation				
Capacity in Joint Facilities	$ 4,111,758	$ 65,441	$	$ 4,177,199
Water System	2,801,330			2,801,330
Wastewater System	5,312,949	474,144		5,787,093
Drainage System	7,116,387			7,116,387
Total Capital Assets Subject to Depreciation	$ 19,342,424	$ 539,585	$ - 0 -	$ 19,882,009
Accumulated Depreciation				
Capacity in Joint Facilities	$ 211,743	$ 104,671	$	$ 316,414
Water System	225,600	70,225		295,825
Wastewater System	406,695	146,850		553,545
Drainage System	597,763	178,397		776,160
Total Accumulated Depreciation	$ 1,441,801	$ 500,143	$ - 0 -	$ 1,941,944
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 17,900,623	$ 39,442	$ - 0 -	$ 17,940,065
Total Capital Assets, Net of Accumulated Depreciation	$ 19,075,058	$ 521,708	$ 539,585	$ 19,057,181

NOTE 7. MAINTENANCE TAX

District voters have approved the levy and collection of a maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation. This maintenance tax is to be used to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended March 31, 2020, the District levied a maintenance tax of $0.53 per $100 of assessed valuation resulting in a levy of $789,274 on the adjusted taxable valuation of $148,919,573 for the 2019 tax year.

NOTE 8. UNREIMBURSED COSTS

In accordance with the terms of financing agreements, Developers within the District have made expenditures on behalf of the District for various construction projects as well as operating advances. The prior year balance of $18,411,673 was reduced by $4,867,708 as a result of bond proceeds used to reimburse Developers (see Note 13) which resulted in a year end balance of $13,543,965 due to Developers.

NOTE 9. WASTE DISPOSAL CONTRACT

Harris County Municipal Utility District Nos. 46, 106, 109, 132, 151, 152 and 153 previously entered into a Waste Disposal Contract to operate and maintain a regional sewage treatment plant to serve surrounding areas. The agreement calls for each district to pay its pro rata share of operating costs of the plant based upon a budget of the estimated costs. The participants in the plant amended the agreement to provide for the establishment of a Joint Operations Board. The Joint Operations Board is responsible for adoption of a budget for both Exhibit B and C costs for the fiscal year June 1 through May 31 and determines the rates to be charged based upon the expected operating budgets.

On December 1, 2012, the participants in the treatment plant executed a Fourth Amended and Restated Waste Disposal Contract whereby certain participants agreed to sell and assign capacity to the District in stages. The term of the agreement ends August 1, 2048. On December 1, 2012, the participants also executed an amended sanitary sewer line contract which provides for the participants to sell capacity in the line to the District.

The following summary financial data on the regional sewage treatment plant is presented for the fiscal year ended May 31, 2019.

	Joint Venture
Total Assets	$ 1,235,925
Total Liabilities	230,225
Total Fund Balance	$ 1,005,700
Total Revenues	$ 1,946,397
Total Expenditures	1,946,397
Excess Revenues (Expenditures)	$ -0-
Other Financing Sources (Uses)	
Reserve Adjustment	$ (13,650)
Net Increase (Decrease) in Fund Balance	$ (13,650)
Fund Balance, Beginning of Year	1,019,350
Fund Balance, End of Year	$ 1,005,700

NOTE 10. WATER SUPPLY AND SANITARY SEWER AGREEMENT

The District entered into a Water Supply and Sanitary Sewer Agreement with Harris County Municipal District No. 153, effective May 1, 2013. The agreement was amended on March 15, 2017. The term of this agreement is 40 years. Fixed and variable costs are defined in the agreement and are allocated based on the proportionate share schedule attached to the agreement and/or relative usage. During the current fiscal year, the District's advance for operations and maintenance of the shared facilities was $17,150. The following summary financial data is presented for the fiscal year ended March 31, 2020.

	Joint Venture
Total Assets	$ 149,893
Total Liabilities	68,228
Total Fund Balance	$ 81,665
Total Revenues	$ 527,839
Total Expenditures	527,839
Excess Revenues (Expenditures)	$ -0-
Increase in Reserve	26,462
Fund Balance, Beginning of Year	55,203
Fund Balance, End of Year	$ 81,665

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

The District and the City of Houston, Texas (the "City") have entered into a Strategic Partnership Agreement (the "SPA") dated effective December 29, 2011, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least 30 years from the effective date of the SPA. 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 to the maximum extent permitted by TCEQ rules. As of the effective date of the SPA, the City was authorized to impose the one percent City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 26 acres planned for retail and commercial development within the District. The City pays to the District an amount equal to 40 percent of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

of Public Accounts of the State of Texas (the "Sales Tax Revenue"). The District is authorized to use 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 bonds. The term of this Agreement is 30 years from the effective date of the agreement.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and no settlements have exceeded coverage amounts in the past three years.

NOTE 13. BOND SALES

On July 11, 2019, the District closed on the sale of its Series 2019 Unlimited Tax Road Bonds in the amount of $2,950,000. Proceeds from the sale were used to reimburse the Developer for: the cost of construction, engineering, materials testing, stormwater pollution prevention plans, and streetlights for roads serving Bridges on Lake Houston, Sections 7 and 8; and the costs of land acquisition for roads serving Bridges on Lake Houston, Section 8. Additionally, proceeds from the Bonds were used to pay Developer interest and bond issuance costs.

On December 18, 2019, the District closed on the sale of its Series 2019A Unlimited Tax Bonds in the amount of $3,590,000. Proceeds from the sale were used to reimburse the Developer for: a 22.35-acre drainage impact study; the District's share of engineering costs for facilities shared with other districts; wastewater capacity payments; operating expenses; and the construction, engineering, materials testing costs for water, wastewater and drainage facilities to serve Bridges on Lake Houston, Section 1, and 2. Additionally, proceeds from the Bonds were used to pay Developer interest and bond issuance costs.

NOTE 14. 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 may 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.

NOTE 15. PRIOR PERIOD ADJUSTMENT

The District reduced its fiscal year ending March 31, 2019 net position balance by $3,083,077 as a result of its determination that the roads constructed by the developers are not owned by the District.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 574,300	$ 776,657	$ 202,357
Water Service	296,100	316,808	20,708
Wastewater Service	347,581	290,010	(57,571)
Water Authority Fees	68,200	82,779	14,579
Penalty and Interest	9,800	7,050	(2,750)
Tap Connection and Inspection Fees	128,000	39,265	(88,735)
Investment and Miscellaneous Revenues	35,940	47,236	11,296
TOTAL REVENUES	$ 1,459,921	$ 1,559,805	$ 99,884
EXPENDITURES			
Service Operations:			
Professional Fees	$ 135,200	$ 143,849	$ (8,649)
Contracted Services	304,130	303,255	875
Purchased Water Service	58,600	58,489	111
Purchased Wastewater Service	65,000	88,070	(23,070)
Utilities	54,300	61,760	(7,460)
Water Authority Assessments	68,200	29,351	38,849
Repairs and Maintenance	146,100	116,521	29,579
Other	115,050	94,205	20,845
Capital Outlay	137,500	8,123	129,377
TOTAL EXPENDITURES	$ 1,084,080	$ 903,623	$ 180,457
NET CHANGE IN FUND BALANCE	$ 375,841	$ 656,182	$ 280,341
FUND BALANCE - APRIL 1, 2019	1,352,926	1,352,926	
FUND BALANCE - MARCH 31, 2020	$ 1,728,767	$ 2,009,108	$ 280,341

See accompanying independent auditor’s report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MARCH 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective March 1, 2020.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 25.00	6,000	N	$1.75	6,001 to 10,000
				2.50	10,001 to 15,000
				3.25	15,001 to 20,000
				4.00	20,001 to 25,000
				4.75	25,001 to 30,000
				5.50	30,001 and up
WASTEWATER:	$ 43.80		Y		
SURCHARGE:	Groundwater Reduction fees $1.04 per 1,000 gallons of water used				

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

Total monthly charges per 10,000 gallons usage: Water: $32.00 Wastewater: $43.80 Surcharge: $10.40

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"			x 1.0	
1"	542	535	x 2.5	1,338
1½"			x 5.0	
2"	9	9	x 8.0	72
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water Connections	553	546		1,515
Total Wastewater Connections	538	531	x 1.0	531

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

Gallons billed to customers: 83,346,000 Water Accountability Ratio: *

* The District purchases all of its water from Harris County Municipal Utility District No. 153 (see Note 10).

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes _X_ No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly ______ Not at all _X_

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

Entirely _X_ Partly ______ Not at all ____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No _X_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2020

PROFESSIONAL FEES:		
Auditing	$	15,500
Engineering		51,996
Legal		76,353
TOTAL PROFESSIONAL FEES	$	143,849
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	58,489
Purchased Wastewater Service		88,070
TOTAL PURCHASED SERVICES FOR RESALE	$	146,559
CONTRACTED SERVICES:		
Bookkeeping	$	27,156
Operations and Billing		30,653
Solid Waste Disposal		90,312
Security		155,134
TOTAL CONTRACTED SERVICES	$	303,255
TOTAL UTILITIES	$	61,760
REPAIRS AND MAINTENANCE	$	116,521
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	9,689
Insurance		8,244
Office Supplies and Postage		9,540
Other		13,067
TOTAL ADMINISTRATIVE EXPENDITURES	$	40,540
CAPITAL OUTLAY	$	8,123
TAP CONNECTIONS	$	34,524
OTHER EXPENDITURES:		
Water Authority Assessments	$	29,351
Laboratory Fees		6,883
Inspection Fees		9,740
Regulatory Assessment		2,518
TOTAL OTHER EXPENDITURES	$	48,492
TOTAL EXPENDITURES	$	903,623

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
INVESTMENTS
MARCH 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	$ 839,411	$
Certificate of Deposit	XXXX0091	2.75%	06/18/20	50,000	1,081
Certificate of Deposit	XXXX7299	2.05%	12/25/20	75,000	404
Certificate of Deposit	XXXX7615	2.50%	07/22/20	50,000	863
Certificate of Deposit	XXXX9683	2.00%	11/11/20	50,000	386
Certificate of Deposit	XXXX5094	1.65%	01/27/21	240,000	684
Certificate of Deposit	XXXX9751	1.20%	03/14/21	100,000	56
Certificate of Deposit	XXXX2710	2.65%	04/23/20	225,000	5,620
Certificate of Deposit	XXXX6275	2.60%	05/20/20	50,000	1,122
Certificate of Deposit	XXXX0845	2.45%	10/21/20	50,000	540
Certificate of Deposit	XXXX8486	2.10%	09/24/20	75,000	811
Certificate of Deposit	XXXX3911	1.80%	02/26/21	100,000	158
TOTAL GENERAL FUND				$ 1,904,411	$ 11,725
DEBT SERVICE FUND					
Texas CLASS	XXXX0003	Varies	Daily	$ 305,224	$
Texas CLASS	XXXX0004	Varies	Daily	317,118	
Certificate of Deposit	XXXX2308	2.65%	04/21/20	175,000	4,371
Certificate of Deposit	XXXX0518	2.65%	04/21/20	240,000	5,994
Certificate of Deposit	XXXX0351	2.60%	08/06/20	150,000	2,532
TOTAL DEBT SERVICE FUND				$ 1,187,342	$ 12,897
CAPITAL PROJECTS FUND					
Texas CLASS	XXXX0002	Varies	Daily	$ 162,737	$ - 0 -
TOTAL - ALL FUNDS				$ 3,254,490	$ 24,622

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
APRIL 1, 2019	$ 13,718		$ 22,928	
Adjustments to Beginning Balance	689	$ 14,407	1,188	$ 24,116
Original 2019 Tax Levy	$ 700,219		$ 1,083,357	
Adjustment to 2019 Tax Levy	89,055	789,274	137,783	1,221,140
TOTAL TO BE ACCOUNTED FOR		$ 803,681		$ 1,245,256
TAX COLLECTIONS:				
Prior Years	$ 13,228		$ 22,120	
Current Year	763,429	776,657	1,181,154	1,203,274
TAXES RECEIVABLE - MARCH 31, 2020		$ 27,024		$ 41,982
TAXES RECEIVABLE BY YEAR:				
2019		$ 25,845		$ 39,986
2018		1,179		1,996
TOTAL		$ 27,024		$ 41,982

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020

	2019	2018	2017	2016
PROPERTY VALUATIONS:				
Land	$ 58,116,386	$ 48,191,702	$ 42,869,510	$ 33,165,394
Improvements	95,407,086	71,654,213	59,461,018	40,013,558
Personal Property	1,646,667	1,485,961	1,085,072	14,270
Exemptions	(6,250,566)	(5,082,102)	(3,741,616)	(1,717,637)
TOTAL PROPERTY VALUATIONS	$ 148,919,573	$ 116,249,774	$ 99,673,984	$ 71,475,585
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.82	$ 0.88	$ 0.91	$ 0.62
Maintenance	0.53	0.52	0.59	0.88
TOTAL TAX RATES PER $100 VALUATION	$ 1.35	$ 1.40	$ 1.50	$ 1.50
ADJUSTED TAX LEVY*	$ 2,010,414	$ 1,627,497	$ 1,495,110	$ 1,072,134
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	96.73 %	99.80 %	100.00 %	100.00 %

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

Maintenance Tax – A maximum tax rate of $1.50 per $100 of assessed valuation has been approved by voters.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

	SERIES-2016		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 180,000	$ 179,287	$ 359,287
2022	185,000	175,638	360,638
2023	195,000	171,838	366,838
2024	200,000	166,886	366,886
2025	210,000	160,738	370,738
2026	215,000	154,362	369,362
2027	225,000	147,763	372,763
2028	235,000	140,862	375,862
2029	240,000	133,738	373,738
2030	250,000	126,387	376,387
2031	260,000	118,575	378,575
2032	270,000	110,125	380,125
2033	280,000	101,013	381,013
2034	290,000	91,213	381,213
2035	300,000	80,888	380,888
2036	315,000	70,125	385,125
2037	325,000	58,722	383,722
2038	335,000	46,760	381,760
2039	350,000	34,125	384,125
2040	360,000	20,812	380,812
2041	375,000	7,031	382,031
2042			
2043			
2044			
2045			
	$ 5,595,000	$ 2,296,888	$ 7,891,888

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

	SERIES-2016A ROAD		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 150,000	$ 121,896	$ 271,896
2022	155,000	119,034	274,034
2023	155,000	115,856	270,856
2024	160,000	112,428	272,428
2025	160,000	108,728	268,728
2026	165,000	104,683	269,683
2027	170,000	100,243	270,243
2028	170,000	95,568	265,568
2029	180,000	90,601	270,601
2030	185,000	85,239	270,239
2031	190,000	79,614	269,614
2032	195,000	73,595	268,595
2033	200,000	67,176	267,176
2034	205,000	60,595	265,595
2035	210,000	53,720	263,720
2036	215,000	46,548	261,548
2037	225,000	38,983	263,983
2038	235,000	30,933	265,933
2039	240,000	22,500	262,500
2040	250,000	13,680	263,680
2041	255,000	4,590	259,590
2042			
2043			
2044			
2045			
	$ 4,070,000	$ 1,546,210	$ 5,616,210

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

	S E R I E S - 2 0 1 7 R O A D		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 100,000	$ 120,250	$ 220,250
2022	105,000	115,638	220,638
2023	110,000	110,800	220,800
2024	115,000	105,737	220,737
2025	120,000	100,450	220,450
2026	125,000	96,422	221,422
2027	130,000	93,631	223,631
2028	130,000	90,543	220,543
2029	140,000	86,993	226,993
2030	145,000	82,897	227,897
2031	150,000	78,468	228,468
2032	155,000	73,894	228,894
2033	160,000	69,169	229,169
2034	170,000	64,112	234,112
2035	175,000	58,722	233,722
2036	180,000	53,062	233,062
2037	190,000	47,050	237,050
2038	195,000	40,794	235,794
2039	205,000	34,293	239,293
2040	210,000	27,419	237,419
2041	220,000	20,162	240,162
2042	230,000	12,425	242,425
2043	240,000	4,200	244,200
2044			
2045			
	$ 3,700,000	$ 1,587,131	$ 5,287,131

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

	SERIES-2018 ROAD		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 45,000	$ 55,056	$ 100,056
2022	45,000	52,581	97,581
2023	45,000	50,106	95,106
2024	45,000	47,631	92,631
2025	55,000	44,881	99,881
2026	55,000	42,543	97,543
2027	55,000	40,893	95,893
2028	60,000	39,168	99,168
2029	55,000	37,443	92,443
2030	55,000	35,793	90,793
2031	55,000	34,075	89,075
2032	60,000	32,207	92,207
2033	60,000	30,257	90,257
2034	60,000	28,232	88,232
2035	65,000	26,044	91,044
2036	70,000	23,681	93,681
2037	65,000	21,319	86,319
2038	65,000	19,003	84,003
2039	70,000	16,557	86,557
2040	70,000	14,019	84,019
2041	75,000	11,344	86,344
2042	85,000	8,344	93,344
2043	90,000	5,063	95,063
2044	90,000	1,688	91,688
2045			
	$ 1,495,000	$ 717,928	$ 2,212,928

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

	S E R I E S - 2 0 1 9 R O A D		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 55,000	$ 92,556	$ 147,556
2022	75,000	89,956	164,956
2023	80,000	86,856	166,856
2024	80,000	83,656	163,656
2025	85,000	80,356	165,356
2026	90,000	77,306	167,306
2027	90,000	74,606	164,606
2028	95,000	71,831	166,831
2029	100,000	68,906	168,906
2030	100,000	65,907	165,907
2031	105,000	62,831	167,831
2032	110,000	59,606	169,606
2033	115,000	56,231	171,231
2034	120,000	52,706	172,706
2035	125,000	49,031	174,031
2036	130,000	45,206	175,206
2037	135,000	41,231	176,231
2038	135,000	37,181	172,181
2039	145,000	32,891	177,891
2040	150,000	28,282	178,282
2041	155,000	23,516	178,516
2042	160,000	18,594	178,594
2043	165,000	13,516	178,516
2044	170,000	8,282	178,282
2045	180,000	2,813	182,813
	$ 2,950,000	$ 1,323,853	$ 4,273,853

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

	SERIES-2019 A		
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	$ 110,000	$ 98,188	$ 208,188
2022	95,000	95,112	190,112
2023	100,000	92,188	192,188
2024	100,000	89,187	189,187
2025	105,000	86,638	191,638
2026	110,000	84,487	194,487
2027	110,000	82,150	192,150
2028	115,000	79,619	194,619
2029	120,000	76,825	196,825
2030	125,000	73,762	198,762
2031	130,000	70,575	200,575
2032	135,000	67,263	202,263
2033	140,000	63,650	203,650
2034	145,000	59,731	204,731
2035	150,000	55,675	205,675
2036	155,000	51,481	206,481
2037	160,000	46,950	206,950
2038	165,000	42,075	207,075
2039	170,000	37,050	207,050
2040	175,000	31,875	206,875
2041	180,000	26,550	206,550
2042	190,000	21,000	211,000
2043	195,000	15,225	210,225
2044	200,000	9,300	209,300
2045	210,000	3,150	213,150
	$ 3,590,000	$ 1,459,706	$ 5,049,706

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020

Due During Fiscal Years Ending March 31	ANNUAL REQUIREMENTS FOR ALL SERIES Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 640,000	$ 667,233	$ 1,307,233
2022	660,000	647,959	1,307,959
2023	685,000	627,644	1,312,644
2024	700,000	605,525	1,305,525
2025	735,000	581,791	1,316,791
2026	760,000	559,803	1,319,803
2027	780,000	539,286	1,319,286
2028	805,000	517,591	1,322,591
2029	835,000	494,506	1,329,506
2030	860,000	469,985	1,329,985
2031	890,000	444,138	1,334,138
2032	925,000	416,690	1,341,690
2033	955,000	387,496	1,342,496
2034	990,000	356,589	1,346,589
2035	1,025,000	324,080	1,349,080
2036	1,065,000	290,103	1,355,103
2037	1,100,000	254,255	1,354,255
2038	1,130,000	216,746	1,346,746
2039	1,180,000	177,416	1,357,416
2040	1,215,000	136,087	1,351,087
2041	1,260,000	93,193	1,353,193
2042	665,000	60,363	725,363
2043	690,000	38,004	728,004
2044	460,000	19,270	479,270
2045	390,000	5,963	395,963
	$ 21,400,000	$ 8,931,716	$ 30,331,716

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2020

Description	Original Bonds Issued	Bonds Outstanding April 1, 2019
Harris County Municipal Utility District No. 494 Unlimited Tax Bonds - Series 2016	$ 5,940,000	$ 5,770,000
Harris County Municipal Utility District No. 494 Unlimited Tax Road Bonds - Series 2016A	4,365,000	4,220,000
Harris County Municipal Utility District No. 494 Unlimited Tax Road Bonds - Series 2017	3,890,000	3,795,000
Harris County Municipal Utility District No. 494 Unlimited Tax Road Bonds - Series 2018	1,525,000	1,525,000
Harris County Municipal Utility District No. 494 Unlimited Tax Road Bonds - Series 2019	2,950,000	
Harris County Municipal Utility District No. 494 Unlimited Tax Bonds - Series 2019A	3,590,000	
TOTAL	$ 22,260,000	$ 15,310,000

Bond Authority:	Tax Bonds-Utilities	Refunding Bonds	Road Bonds	Park Bonds
Amount Authorized by Voters	$ 60,475,000	$ 99,745,000	$ 33,550,000	$ 5,720,000
Amount Issued	9,530,000		12,730,000	
Remaining to be Issued	$ 50,945,000	$ 99,745,000	$ 20,820,000	$ 5,720,000

Debt Service Fund cash and investment balances as of March 31, 2020:	$ 1,521,692
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,213,269

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

See accompanying independent auditor’s report.

Current Year Transactions				
	Retirements		Bonds	
Bonds Sold	Principal	Interest	Outstanding March 31, 2020	Paying Agent
$	$ 175,000	$ 182,838	$ 5,595,000	Regions Bank Houston, TX
	150,000	124,333	4,070,000	Regions Bank Houston, TX
	95,000	124,637	3,700,000	Regions Bank Houston, TX
	30,000	57,119	1,495,000	Regions Bank Houston, TX
2,950,000		59,836	2,950,000	Regions Bank Houston, TX
3,590,000		20,245	3,590,000	Regions Bank Houston, TX
$ 6,540,000	$ 450,000	$ 569,008	$ 21,400,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 776,657	$ 624,621	$ 636,505
Water Service	316,808	239,497	187,268
Wastewater Service	290,010	236,290	159,450
Water Authority Fees	82,779	54,587	52,519
Penalty and Interest	7,050	8,727	4,872
Tap Connection and Inspection Fees	39,265	364,420	210,615
Investment and Miscellaneous Revenues	47,236	26,914	15,042
TOTAL REVENUES	$ 1,559,805	$ 1,555,056	$ 1,266,271
EXPENDITURES			
Professional Fees	$ 143,849	$ 155,004	$ 149,332
Contracted Services	303,255	260,210	234,651
Purchased Water Service	58,489	47,648	34,679
Purchased Wastewater Service	88,070	47,802	61,133
Utilities	61,760	52,358	40,564
Water Authority Assessments	29,351	19,464	52,425
Repairs and Maintenance	116,521	114,289	72,414
Other	94,205	265,377	172,010
Capital Outlay	8,123	692,132	1,130,854
TOTAL EXPENDITURES	$ 903,623	$ 1,654,284	$ 1,948,062
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 656,182	$ (99,228)	$ (681,791)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ - 0 -	$ 303,931	$ 941,404
NET CHANGE IN FUND BALANCE	$ 656,182	$ 204,703	$ 259,613
BEGINNING FUND BALANCE	1,352,926	1,148,223	888,610
ENDING FUND BALANCE	$ 2,009,108	$ 1,352,926	$ 1,148,223

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
$ 659,359	$ 311,648	49.8 %	40.2 %	50.3 %	60.6 %	46.2 %
149,942	93,829	20.3	15.4	14.8	13.8	13.9
116,244	66,641	18.6	15.2	12.6	10.7	9.9
39,691	25,036	5.3	3.5	4.1	3.7	3.7
3,804	1,961	0.5	0.6	0.4	0.4	0.3
110,400	169,640	2.5	23.4	16.6	10.2	25.2
6,412	5,632	3.0	1.7	1.2	0.6	0.8
$ 1,085,852	$ 674,387	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 129,688	$ 130,559	9.2 %	10.0 %	11.8 %	11.9 %	19.4 %
84,368	46,238	19.4	16.7	18.5	7.8	6.9
20,906	14,540	3.7	3.1	2.7	1.9	2.2
40,141	33,947	5.6	3.1	4.8	3.7	5.0
35,979	15,631	4.0	3.4	3.2	3.3	2.3
36,340	25,043	1.9	1.3	4.1	3.3	3.7
123,599	172,175	7.5	7.3	5.7	11.4	25.5
116,185	171,417	6.0	17.1	13.6	10.7	25.4
492,113	2,083,994	0.5	44.5	89.3	45.3	309.0
$ 1,079,319	$ 2,693,544	57.8 %	106.5 %	153.7 %	99.3 %	399.4 %
$ 6,533	$ (2,019,157)	42.2 %	(6.5) %	(53.7) %	0.7 %	(299.4) %
$ 681,563	$ 2,089,236					
$ 688,096	$ 70,079					
200,514	130,435					
$ 888,610	$ 200,514					

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 1,203,274	$ 1,049,113	$ 915,942
Penalty and Interest	9,987	13,819	3,659
Investment and Miscellaneous Revenues	21,248	9,089	3,867
TOTAL REVENUES	$ 1,234,509	$ 1,072,021	$ 923,468
EXPENDITURES			
Tax Collection Expenditures	$ 30,908	$ 26,474	$ 19,674
Debt Service Principal	450,000	410,000	
Debt Service Interest and Fees	572,233	485,349	380,213
TOTAL EXPENDITURES	$ 1,053,141	$ 921,823	$ 399,887
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 181,368	$ 150,198	$ 523,581
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	$ -0-	$ -0-	$ 65,525
NET CHANGE IN FUND BALANCE	$ 181,368	$ 150,198	$ 589,106
BEGINNING FUND BALANCE	1,338,291	1,188,093	598,987
ENDING FUND BALANCE	$ 1,519,659	$ 1,338,291	$ 1,188,093
TOTAL ACTIVE RETAIL WATER CONNECTIONS	546	528	375
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	531	518	368

See accompanying independent auditor's report.

				Percentage of Total Revenues			
	2017	2016	2020	2019	2018	2017	2016
	$ 389,036	$	97.5 %	97.9 %	99.2 %	99.4 %	%
	1,863		0.8	1.3	0.4	0.5	
	495		1.7	0.8	0.4	0.1	
	$ 391,394	$	100.0 %	100.0 %	100.0 %	100.0 %	%
	$ 13,608	$	2.5 %	2.5 %	2.1 %	3.5 %	%
			36.5	38.2			
	188,052		46.4	45.3	41.2	48.0	
	$ 201,660	$	85.4 %	86.0 %	43.3 %	51.5 %	%
	$ 189,734	$	14.6 %	14.0 %	56.7 %	48.5 %	N/A %
	$ 409,253	$					
	$ 598,987	$					
	$ 598,987	$ N/A					
	322	228					
	319	225					

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020

District Mailing Address	-	Harris County Municipal Utility District No. 494 c/o Schwartz, Page, & Harding, LLP 1300 Post Oak Boulevard, Suite 1400 Houston, TX 77056
District Telephone Number	-	(713) 623-4531

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended March 31, 2020	Expense reimbursements for the year ended March 31, 2020	Title
Richard Beal	05/2018 – 05/2022 (Elected)	$ 1,800	$ -0-	President
Leland Jackson	05/2018 – 05/2022 (Elected)	$ 1,650	$ -0-	Vice President
Candace Wood	05/2018 – 05/2022 (Elected)	$ 2,250	$ 916	Secretary
Cyrus Fozounmayeh	05/2016 – 05/2020 (Elected)	$ 1,800	$ -0-	Assistant Secretary
Brian Rodel	05/2016 – 05/2020 (Elected)	$ 1,500	$ -0-	Director

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

Submission date of most recent District Registration Form: May 14, 2018

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 494
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020

Consultants:	Date Hired	Fees for the year ended March 31, 2020	Title
Schwartz, Page & Harding, L.L.P.	11/15/10	$ 83,291	General Counsel
		$ 185,520	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	10/02/13	$ 15,000	Auditor
		$ 22,000	AUP/Other Services
Municipal Accounts & Consulting, L.P.	11/23/10	$ 36,316	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	01/03/14	$ 3,304	Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	10/01/14	$ 96,209	Engineer
Robert W. Baird & Co. Incorporated	02/04/15	$ 134,908	Financial Advisor
Mark Burton	11/23/10	$ -0-	Investment Officer
Municipal Operations and Consulting, Inc.	11/23/10	$ 204,541	Operator
Assessments of the Southwest	10/01/11	$ 8,105	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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