

OFFICIAL STATEMENT DATED MAY 19, 2021

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, AND THE BONDS ARE NOT SPECIFIED PRIVATE ACTIVITY BONDS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."

NEW ISSUE-Book-Entry-Only

Insured Ratings (AGM): S&P "AA" (stable outlook)
Moody's "A2" (stable outlook)
Underlying Rating: Moody's "A1"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$2,430,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24 (A political subdivision of the State of Texas located within Harris County)

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS SERIES 2021

Dated: June 1, 2021

Due: March 1, as shown below

Interest on the above-described (the "Bonds") will accrue from June 1, 2021 and will be payable on September 1 and March 1 each year commencing September 1, 2021 (three months of interest) and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas. See "THE BONDS—Paying Agent/Registrar."



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

MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2022	\$ 350,000	1.00	% 0.35	% 413934 LK4	2027	\$ 200,000	(a) 1.00	% 1.15	% 413934 LQ1
2023	350,000	1.00	0.50	413934 LL2	2028	200,000	(a) 1.00	1.25	413934 LR9
2024	350,000	1.00	0.65	413934 LM0	2029	200,000	(a) 1.25	1.40	413934 LS7
2025	350,000	1.00	0.75	413934 LN8	2030	200,000	(a) 1.50	1.60	413934 LT5
2026	230,000	1.00	0.90	413934 LP3					

- (a) The Bonds maturing on and after March 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or from time to time, in part on March 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. Accrued interest from June 1, 2021, is to be added to the price.

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 24 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Order) of the District's waterworks and sewer system. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, Texas or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Strawn & Richardson, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds through DTC is expected on or about June 22, 2021.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Strawn & Richardson, P.C., 1155 Dairy Ashford Road, Suite 875, Houston, Texas 77079, upon payment of the costs of duplication.

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 Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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

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

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

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

EXTREME WEATHER

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. To the best knowledge of the District, water and wastewater service to the District was not interrupted due to Hurricane Harvey. Further, the District did not receive any reports of any improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

THE FINANCING

- The Issuer* Harris County Municipal Utility District No. 24 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
- The Issue* \$2,430,000 Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2021, (the “Bonds”) are dated June 1, 2021. Interest accrues from June 1, 2021 at the rates per annum set forth on the cover page hereof and is payable on September 1, 2021 (three months of interest) and each March 1 and September 1 thereafter until the earlier of the stated maturity or redemption. The Bonds mature serially on March 1 in each of the years 2022 through 2030, both inclusive, and in the principal amounts set forth on the cover page hereof.
- Redemption Provisions* The Bonds maturing on and after March 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2026 or on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. If fewer than all the Bonds are redeemed, the particular maturities of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any one time, the particular Bonds to be redeemed within a maturity shall be selected by the Paying Agent/Registrar (defined herein) (or by DTC while the Bonds are in Book-Entry-Only form) by lot or other customary method of random selection. See “THE BONDS—Redemption Provisions.”
- Source of Payment* The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Order (herein defined)) of the District’s waterworks and sewer system (the “System”), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make any contribution to future debt service payments. See “THE BONDS—Source of Payment.”
- Use of Proceeds* Proceeds of the Bonds will be used to finance construction and engineering costs for improvements to the District’s utility system, to pay developer interest on such improvements and to pay certain costs associated with the issuance of the Bonds as shown herein. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
- Payment Record* The District has previously issued twenty-one series of waterworks and sewer system combination unlimited tax and revenue bonds (including seven series of refunding bonds), of which an aggregate principal amount of \$10,235,000 is outstanding as of the date hereof. The outstanding bonds are referred to collectively herein as the “Outstanding Bonds.” The District has never defaulted in the timely payment of debt service on its previously issued bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- Qualified Tax-Exempt Obligations* The District has designated the Bonds to be “qualified tax-exempt obligations,” and the District represents that it has or will take such action as it deems necessary for the Bonds to constitute “qualified tax-exempt obligations.” See “LEGAL MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions.”
- Municipal Bond Rating and Municipal Bond Insurance* S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) have assigned municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “A1” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

- Book-Entry-Only System*The definitive bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”
- Legal Opinion*Strawn & Richardson, P.C., Bond Counsel, Houston, Texas.
- Disclosure Counsel*McCall, Parkhurst & Horton L.L.P., Houston, Texas.
- Financial Advisor*Masterson Advisors LLC, Houston, Texas.
- Paying Agent/Registrar*The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
- Investment Considerations*The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

- Description*The District, a political subdivision of the State of Texas, is located in Harris County, Texas. The District was created by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”) on December 12, 1972 and operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,138 acres of land. See “THE DISTRICT—General.”
- Location*The District is located approximately 25 miles northwest of the central downtown business district of the City of Houston and approximately five miles west of the intersection of Louetta Road and Interstate Highway 45. Access to the District is provided by Stuebner-Airline Boulevard and Louetta Road. The District lies wholly within the boundaries of the Klein Independent School District and is within the extraterritorial jurisdiction of the City of Houston. See “THE DISTRICT—Description and Location” and “AERIAL LOCATION MAP.”
- Status of Development*Approximately 899 acres of land within the District have been developed for single family residential purposes (collectively 3,181 lots), approximately 63 acres have been developed for multifamily purposes, and approximately 96 acres have been developed for commercial purposes. In addition, the District also has approximately 56 acres of land in easements and rights-of-way, and approximately 24 acres of developable but undeveloped land which are not served with underground utilities.

As of February 24, 2021, the District contained 3,058 occupied single-family connections, 28 builder connections, 39 vacant single-family connections and 56 vacant lots. The District also provides water and sewer service to 41 out of district single family homes.

Multifamily development in the District includes five apartment projects containing approximately 1,185 apartment units. According to property management of the various apartment communities, the average occupancy rate is approximately 89%.

The District has approximately 93 commercial customers (five of which are out-of-District), including a grocery store, five shopping centers, a not-for-profit emergency medical system education center, five fast food restaurants, five restaurants, two banks, a self-storage center, a car wash, two car care centers, four convenience stores and other retail and service establishments. See “THE DISTRICT—Status of Development.”

The DeveloperHAR Asset Management, Ltd., a Texas limited partnership, (“HAR”) has developed approximately 25 acres (102 lots) as Klein Grove, a single-family residential community in the District. See “THE DEVELOPER.”

HomebuilderHAR has entered into a lot sales contract with Historymaker Homes to build homes in Klein Grove. New home sale prices range from approximately \$215,000 to \$270,000 in Klein Grove. See “THE DISTRICT—Homebuilder.”

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SELECTED FINANCIAL INFORMATION

2020 Taxable Assessed Valuation.....	\$896,622,442 (a)
Estimated Taxable Assessed Valuation as of February 1, 2021	\$980,807,612 (b)
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$12,665,000
Estimated Overlapping Debt	46,383,910 (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$59,048,910
Ratio of Gross Direct Debt to:	
2020 Taxable Assessed Valuation	1.41%
Estimated Taxable Assessed Valuation as of February 1, 2021	1.29%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Taxable Assessed Valuation	6.59%
Estimated Taxable Assessed Valuation as of February 1, 2021	6.02%
2020 District Tax Rate	
Debt Service	\$0.250
Maintenance and Operations	0.198
Total.....	\$0.448/\$100 A.V.
Average percentage of total tax collections (2016-2020)	99.15%
Maximum Debt Service Requirement (2022) of the Outstanding Bonds and the Bonds (“Maximum Requirement”)	\$2,347,341
Tax rate required to pay Maximum Requirement based upon	
2020 Taxable Assessed Valuation at 95% collections	\$0.28/\$100 A.V.
Estimated Taxable Assessed Valuation as of February 1, 2021 at 95% collections	\$0.26/\$100 A.V.
Average Annual Debt Service Requirement (2022-2030) of the Outstanding Bonds and the Bonds (“Average Annual Requirement”).....	\$1,538,133
Tax rate required to pay Average Annual Requirement based upon	
2020 Taxable Assessed Valuation at 95% collections	\$0.19/\$100 A.V.
Estimated Taxable Assessed Valuation as of February 1, 2021 at 95% collections	\$0.17/\$100 A.V.
Water Connections as of February 24, 2021:	
Single family residential - occupied.....	3,058
Single family residential - vacant.....	39
Single family residential - builder.....	28
Multifamily Residential (1,185 units).....	12
Kleinwood (out-of-District residential)	41
Commercial.....	88
Commercial (out-of-District)	5
Other.....	63
Total	3,334
Estimated 2021 Population.....	12,801 (d)

- (a) The Harris County Appraisal District (the “Appraisal District”) has certified \$895,121,776 of taxable value and an additional \$1,500,666 of taxable value remains uncertified. The uncertified value is the landowner’s opinion of the value, however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. For purposes of illustration throughout the document, the certified and estimated uncertified value are combined (\$896,622,442). See “TAX PROCEDURES.”
- (b) As estimated by the Appraisal District as of February 1, 2021 for informational purposes only. The 2020 certified valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2020 to February 1, 2021. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See “TAX PROCEDURES.”
- (c) See “ESTIMATED OVERLAPPING DEBT AND TAX RATES.”
- (d) Based upon 3.5 persons per occupied residence and 2.0 persons per apartment unit.

OFFICIAL STATEMENT

\$2,430,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
(A political subdivision of the State of Texas located within Harris County)

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS SERIES 2021

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 24 (the “District”) of its \$2,430,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “Commission” or the “TCEQ”) and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Strawn & Richardson, P.C., Bond Counsel for the District, 1155 Dairy Ashford Road, Suite 875, Houston, Texas 77079 upon payment of the costs of duplication.

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2021, with interest payable on each September 1 and March 1, at the rates specified on the cover page hereof, beginning September 1, 2021 (each an “Interest Payment Date”), and will mature on the dates and in the amounts shown on the cover page hereof. The Bonds will be initially 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. See “Book-Entry-Only System” herein.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

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

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

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as the initial Paying Agent/Registrar (the "Paying Agent/Registrar," "Paying Agent," or "Registrar") for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy an annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds.

The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the District's water and sewer system (the "System"). Net Revenues are defined by the Bond Order as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that are pledged for payment of any special project bonds that may be issued. It is not expected that the Net Revenues will ever be sufficient to contribute to debt service payments.

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

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Construction Fund, to be used as described under "THE SYSTEM—Use and Distribution of Bond Proceeds." Any monies remaining in the Construction Fund after completion of construction of the entire system (as herein defined) will be used as described in the Bond Order or ultimately transferred to the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Order that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on March 1, 2026, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If fewer than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Authority for Issuance

At elections held within the District (the “Elections”), voters of the District authorized the issuance of \$57,120,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. See “Issuance of Additional Debt” herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, an order of the Commission and the Elections.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office in Dallas, Texas and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only system, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “Book-Entry-Only System.”

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT—General.” The District’s voters have authorized the issuance of \$57,120,000 of waterworks and sewer system combination unlimited tax and revenue bonds and could authorize additional amounts. Any additional bonds sold may be on a parity with the Bonds. After issuance of the Bonds, the District will have \$9,545,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds authorized but unissued.

The Bond Order imposes no limitation on the amount of additional bonds payable from the same source which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. See “INVESTMENT CONSIDERATIONS—Future Debt.”

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

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

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See “INVESTMENT CONSIDERATIONS—Future Debt.”

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston, the District may be annexed by the City of Houston without the District’s consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston 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 of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

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THE DISTRICT

General

The District is a conservation and reclamation district created by order of the Texas Water Rights Commission (predecessor to the Commission) on December 12, 1972, in accordance with the provisions of Article XVI, Section 59 of the Texas Constitution, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,138 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District.

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

Description and Location

The District is located approximately 25 miles northwest of the central downtown business district of the City of Houston and approximately five miles west of the intersection of Louetta Road and Interstate Highway 45. Access to the District is provided by Stuebner-Airline Boulevard and Louetta Road. The District lies wholly within the boundaries of the Klein Independent School District and is within the extraterritorial jurisdiction of the City of Houston.

Status of Development

Approximately 899 acres of land within the District have been developed for single family residential purposes (collectively 3,181 lots), approximately 63 acres have been developed for multifamily purposes, and approximately 96 acres have been developed for commercial purposes. In addition, the District also has approximately 56 acres of land in easements and rights-of-way, and approximately 24 acres of developable but undeveloped land which are not served with underground utilities.

As of February 24, 2021, the District contained 3,058 occupied single-family connections, 28 builder connections, 39 vacant single-family connections and 56 vacant lots. The District also provides water and sewer service to 41 out of district single family homes.

Multifamily development in the District includes five apartment projects containing approximately 1,185 apartment units. According to property management of the various apartment communities, the average occupancy rate is approximately 89%.

The District has approximately 93 commercial customers (five of which are out-of- District), including a grocery store, five shopping centers, a not-for-profit emergency medical system education center, five fast food restaurants, five restaurants, two banks, a self-storage center, a car wash, two car care centers, four convenience stores and other retail and service establishments.

Homebuilder

Historymaker Homes is building homes in Klein Grove. New home sale prices range from approximately \$215,000 to \$270,000 in Klein Grove.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and director elections are held in November in even numbered years only. All of the directors below either reside or own land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Corbin	President	November 2024
Peggy A. Winters	Vice President	November 2022
Marcia Fitzpatrick	Secretary	November 2022
Dennis L. Cormier	Assistant Secretary	November 2024
Ruben Gonzales, Jr.	Assistant Secretary	November 2024

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District were appraised for ad valorem taxation purposes by the Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Equi-Tax, Inc. is currently serving in this capacity for the District.

System Operator

The District contracts with H2O Innovation for maintenance and operation of the District's System.

Bookkeeper

The District contracts with ETI Bookkeeping Services for bookkeeping services.

Engineer

The consulting engineer for the District in connection with the review of design and construction of the District's facilities is Eby Engineers, Inc. ("Engineer").

Financial Advisor

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

Attorney

The District has engaged Strawn & Richardson, P.C. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P. as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Auditor

The financial statements of the District as of December 31, 2020, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended December 31, 2020.

THE DEVELOPER

Role of a Developer

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

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

The Developer

HAR Asset Management, Ltd., a Texas limited partnership ("HAR") has developed approximately 25 acres (102 lots) as Klein Grove, a single-family residential community, in the District, pursuant to a developer financing agreement. HAR does not own any additional undeveloped acreage in the District.

THE SYSTEM

Regulation

According to the Engineer, the District's water, wastewater and storm drainage improvements (the "System") have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the Texas Department of Health, Texas Commission on Environmental Quality, Harris County, the City of Houston, Harris County Flood Control District, and the Harris-Galveston Subsidence District, where applicable. Each of the aforementioned agencies exercises continuing jurisdiction over the District's facilities.

Source of Water Supply

Water supply for the District consists of surface water provided by North Harris County Regional Water Authority (the "Authority") and groundwater provided by the District's two water plants. Water Plant No. 1 consists of a 1,000 gpm well, a 500,000 gallon ground storage tank, 30,000 gallons of pressure tank capacity, 2,460 gallons per minute ("gpm") of booster pump capacity and related appurtenances. Water Plant No. 2 consists of two wells (a 1,000 gpm well and a 1,500 gpm well), 961,500 gallons of ground storage tank capacity, 60,000 gallons of pressure tank capacity, 5,100 gpm of booster pump capacity and related appurtenances. The District's water supply facilities also include a 500,000 gallon elevated storage tank. According to the District's Engineer, the District has sufficient water production capacity to serve 4,512 equivalent single family connections and is currently serving approximately 4,377 equivalent single family connections.

In 2011, the District began receiving surface water from the Authority as the area within the Authority, including the District, converts to surface water according to the Authority Groundwater Reduction Plan. The District's Engineer anticipates that the District will continue to receive sufficient surface water from Authority to meet the majority of demand in the winter months and will supplement from its wells in the summer months or in case of emergency.

The District has emergency water interconnects with Cypress Klein Utility District, Spring Creek Forest Public Utility District, and Northwest Harris County Municipal Utility District No. 30.

Subsidence and Conversion to Surface Water Supply

Conversion to Surface Water: The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 1999, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County (including the District). The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The District is included within the Authority's GRP, and the District's wells are now permitted in aggregate with other wells within the Authority.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, rates, and charges as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of \$4.60 per 1,000 gallons of groundwater pumped and \$5.05 for surface water received. These fees are subject to increase in the future. The Authority has issued revenue bonds to fund, among other things, certain Authority surface water project costs, including the construction of a network of transmission and distribution lines, storage tanks and pumping stations to transport and distribute water within the Authority (the "Authority System"). It is expected that the Authority will issue substantially more bonds by the year 2035 to finance the Authority's project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand within the Authority's GRP beginning in 2010; (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand within the Authority's GRP beginning in 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning in 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a \$9.58 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. Groundwater pumped from wells located within the Authority is not currently subject to the Disincentive Fee. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

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

Source of Wastewater Treatment

Wastewater treatment is provided by the District's existing two million gallon per day wastewater treatment plant which provides capacity to serve approximately 6,349 equivalent single-family connections. According to the District's Engineer, the District is currently serving 4,377 equivalent single-family connections.

100-Year Flood Plain

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

According to the Engineer, approximately 81 acres in the District are shown to be within the 100-year flood plain as shown on the current FEMA Flood Insurance Rate Map for the area. This acreage includes approximately 20 acres in Shannon Forest subdivision and approximately 10 acres in Oakwood Glen West, Section 2 subdivision. The majority of the remaining floodplain is located in the undevelopable acreage of the District in drainage channels and detention ponds.

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

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$1,986,009 is estimated for construction costs, and \$443,991 is estimated for non-construction costs.

CONSTRUCTION COSTS	
KSR Addition.....	\$ 97,262
Pinpoint Ecclesia at Klein.....	22,820
Wind Rose Retail Center.....	48,080
Klein Grove Subdivision.....	1,305,848
Stuebner Plaza, Section 1.....	34,610
Klein Grove Detention.....	207,535
Engineering.....	269,854
	\$ 1,986,009
Total Construction Costs	
NON-CONSTRUCTION COSTS	
Legal Fees.....	\$ 48,600
Financial Advisory Fees.....	48,600
Developer Interest.....	168,625
Bond Discount (a).....	24,934
Bond Issuance Expenses.....	36,761
Bond Application Report.....	60,000
TCEQ Fee (0.25%).....	6,075
Attorney General Fee.....	2,430
Contingency (a).....	47,966
	\$ 443,991
Total Non-Construction Costs	
TOTAL BOND ISSUE	
	\$ 2,430,000

(a) In its order approving the Bonds, the Commission directed that any surplus bond proceeds resulting from the sale of the Bonds at a lower Bond discount and interest rate than that proposed, shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds. The Commission approved a maximum Bond discount of 3.00%. Contingency represents the difference in the estimated and actual amount of Bond discount.

FINANCIAL STATEMENT

2020 Taxable Assessed Valuation	\$896,622,442 (a)
Estimated Taxable Assessed Valuation as of February 1, 2021	\$980,807,612 (b)
District Debt:	
Outstanding Bonds (as of April 1, 2021)	\$10,235,000
The Bonds	2,430,000
Gross Debt Outstanding (after issuance of the Bonds)	\$12,665,000
Ratio of Gross Debt to 2020 Taxable Assessed Valuation	1.41%
Ratio of Gross Debt to Estimated Taxable Assessed Valuation as of February 1, 2021	1.29%

Area of District—1,138 Acres
Estimated 2021 Population—12,801 (c)

- (a) The Harris County Appraisal District (the “Appraisal District”) has certified \$895,121,776 of taxable value and an additional \$1,500,666 of taxable value remains uncertified. The uncertified value is the landowner’s opinion of the value, however, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. For purposes of illustration throughout the document, the certified and estimated uncertified value are combined (\$896,622,442). See “TAX PROCEDURES.”
- (b) As estimated by the Appraisal District as of February 1, 2021 for informational purposes only. The 2020 certified valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2020 to February 1, 2021. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See “TAX PROCEDURES.”
- (c) Based on 3.5 persons per occupied home and 2.0 persons per apartment unit.

Cash and Investment Balances (Unaudited as of March 31, 2021)

Debt Service Fund	Cash and Temporary Investments	\$1,255,225 (a)
Operating Fund	Cash and Temporary Investments	\$7,701,195

(a) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

Investment Policies and Procedures

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

Outstanding Bonds (as of April 1, 2021)

Series	Original Principal Amount	Principal Amount Currently Outstanding
2011	\$ 2,880,000	\$ 360,000
2013 (a)	7,260,000	2,925,000
2015	5,465,000	3,865,000
2016	1,490,000	890,000
2019 (a)	2,245,000	2,195,000
Total		\$ 10,235,000

(a) Waterworks and sewer system combination unlimited tax and revenue refunding bonds.

ESTIMATED OVERLAPPING DEBT AND TAX RATES

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Klein Independent School District.....	\$ 1,071,025,000	2/28/2021	3.70%	\$39,627,925
Harris County.....	1,672,657,125	2/28/2021	0.18%	3,010,783
Harris County Flood Control District.....	334,270,000	2/28/2021	0.18%	601,686
Harris County Hospital District.....	81,540,000	2/28/2021	0.18%	146,772
Lone Star College System.....	518,505,000	2/28/2021	0.40%	2,074,020
Harris County Department of Education.....	20,185,000	2/28/2021	0.18%	36,333
Port of Houston Authority.....	492,439,397	2/28/2021	0.18%	886,391
Total Estimated Overlapping Debt.....				\$46,383,910
The District.....	12,665,000 (a)	Current	100.00%	12,665,000
Total Direct and Estimated Overlapping Debt.....				\$59,048,910
Ratio of Estimated Direct and Overlapping Debt to 2020 Taxable Assessed Valuation.....				6.59%
Ratio of Estimated Direct and Overlapping Debt to Estimate of Taxable Assessed Valuation as of 2/1/21.....				6.02%

(a) The Outstanding Bonds and the Bonds.

Overlapping Taxes for 2020

	2020 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.60419
Lone Star College System.....	0.10780
Harris County ESD No. 11.....	0.03333
Harris County ESD No. 16.....	0.05000
Klein Independent School District.....	1.33730
Total Overlapping Tax Rate.....	\$ 2.13263
The District.....	0.44800
Total Tax Rate.....	\$ 2.58063

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records and statements for further and more complete information. Totals may vary slightly from totals elsewhere in this Official Statement due to differences in dates of data.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of March 31, 2021 (a)	
				Amount	Percent
2016	\$ 739,283,782	\$ 0.510	\$ 3,771,134	\$ 3,768,477	99.93%
2017	783,203,362	0.460	3,603,421	3,598,334	99.86%
2018	798,945,101	0.450	3,595,923	3,586,044	99.73%
2019	831,107,597	0.450	3,739,984	3,718,943	99.44%
2020	895,121,776	0.448	4,010,146	3,881,705	96.80%

(a) Unaudited.

Taxes are due October 1 and become delinquent after January 31 of the following year. No split payments allowed or discounts are allowed.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$ 0.250	\$ 0.250	\$ 0.260	\$ 0.270	\$ 0.300
Maintenance and Operations	0.198	0.200	0.190	0.190	0.210
Total	\$ 0.448	\$ 0.450	\$ 0.450	\$ 0.460	\$ 0.510

Debt Service Tax

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On August 17, 1974, the Board was authorized to levy such a maintenance tax at an unlimited rate. Such tax, if levied, would be in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2020 in the amount of \$0.198 per \$100 of taxable assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2021, the District has not exempted any percentage of the market value of any residential homesteads from taxation, except \$75,000 of the appraised value of resident homesteads for taxpayers who are disabled or over 65 years of age.

Additional Penalties

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

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2020 certified tax rolls (\$895,121,776), which reflects ownership at January 1, 2020. Principal taxpayer lists related to the uncertified portion (\$1,500,666) of the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of February 1, 2021 are not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
Rise Spring Cypress LLC	Apartments	\$ 38,994,278	4.36%
Edgewater Apartments East LLC	Apartments	21,054,740	2.35%
Stoneleigh Sierra LLC et Al	Apartments	21,000,000	2.35%
Pinpoint Ecclesia at Klein LLC	Apartments	15,878,662	1.77%
Sovran Acquisition LP	Self Storage Facility	15,537,311	1.74%
CO3 Cottages 136 LLC	Condominiums	11,583,355	1.29%
WE 51 Stueb Dixie LLC	Shopping Center	9,547,764	1.07%
Raamco Texas Properties LP	Apartments	8,735,742	0.98%
Centerpoint Energy Houston Electric	Electric Utility	3,357,740	0.38%
Pressure Links LP	Warehouse	3,223,940	0.36%
Total		\$ 148,913,532	16.64%

Summary of Assessed Valuation

The following summaries of the 2018 through 2020 Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information contained in the respective certified tax rolls of the District. Totals may vary slightly from totals elsewhere in this Official Statement due to differences in dates of data. Breakdowns related to the uncertified portion of the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of February 1, 2021 are not available.

	<u>2020 Certified Taxable Assessed Valuation</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>2018 Certified Taxable Assessed Valuation</u>
Land	\$ 781,703,004	\$ 738,219,062	\$ 699,296,751
Improvements	169,528,773	150,624,183	152,768,229
Personal Property	22,707,127	21,438,866	18,671,274
Exemptions	(78,817,128)	(79,174,514)	(71,791,153)
Total Certified Value	\$ 895,121,776	\$ 831,107,597	\$ 798,945,101
Uncertified Value	1,500,666	-	-
Total	\$ 896,622,442	\$ 831,107,597	\$ 798,945,101

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2020 Taxable Assessed Valuation (\$896,622,442) or the Estimated Taxable Assessed Valuation as of February 1, 2021, and a debt service tax rate necessary to pay the District's maximum annual and average annual debt service requirements on the Outstanding Bonds and the Bonds, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rate."

Maximum annual debt service requirement (2022)	\$2,347,341
\$0.28 tax rate on the 2020 Taxable Assessed Valuation	
@ 95% collections produces	\$2,385,016
\$0.26 tax rate on the Estimated Taxable Assessed Valuation as of February 1, 2021	
@ 95% collections produces	\$2,422,595
Average annual debt service requirement (2022-2030)	\$1,538,133
\$0.19 tax rate on the 2020 Taxable Assessed Valuation	
@ 95% collections produces	\$1,618,404
\$0.17 tax rate on the Estimated Taxable Assessed Valuation as of February 1, 2021	
@ 95% collections produces	\$1,584,004

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County 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 2021 tax year, the District has granted an exemption of \$75,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. 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 taken official action to allow taxation of all such goods in transit personal property but may choose to exempt some in the future by official action.

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 2021 tax year, the District has not granted a general residential homestead exemption.

Tax Abatement

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

Valuation of Property for Taxation

Generally, 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.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, 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 level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. 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 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, 2020, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. For the 2020 tax year, the District has been classified to be a Developed 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT AND TAX RATES." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

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

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and are further payable from and secured by a pledge of and lien on Net Revenues of the District's waterworks and sanitary sewer system. It is anticipated that no significant Net Revenues, if any, will be available for debt service on the Bonds in the foreseeable future.

Waterworks and Sewer System Operation

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system as shown in the District's audited financial statements for the fiscal years ended December 31, 2016 through 2020. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and, in all instances, exclude depreciation. Reference is made to APPENDIX A for further and more complete information.

	Fiscal Year Ended December 31				
	2020	2019	2018	2017	2016
Revenues					
Maintenance Tax	\$ 1,652,539	\$ 1,513,506	\$ 1,492,761	\$ 1,558,572	\$ 1,406,438
Water Service	792,543	759,422	781,268	779,178	774,008
Sewer Service	1,244,256	1,224,473	1,138,477	1,111,193	1,074,589
Regional Water Authority Fee	2,069,856	1,827,503	1,643,551	1,508,269	1,264,669
Penalty and Interest	25,237	47,963	44,057	37,466	39,170
Tap Connection and Inspection Fees	82,265	230,442	14,930	316,210	103,390
Tax Revenues from Other Gov. Entity	29,199	28,779	28,803	29,265	25,638
Investment Revenues	74,965	160,580	138,448	87,300	62,403
Capital Recovery Fees	433,000	-	-	-	-
Reuse Credits	258,074	-	-	-	-
Miscellaneous Revenues	29,653	41,774	33,474	32,109	40,612
Total Revenues	\$ 6,691,587	\$ 5,834,442	\$ 5,315,769	\$ 5,459,562	\$ 4,790,917
Expenditures					
Professional Fees	\$ 237,499	\$ 238,852	\$ 212,491	\$ 229,006	\$ 169,005
Contracted Services	885,444	783,594	690,696	666,835	658,768
Utilities	253,119	229,142	265,293	247,276	243,894
Repairs and Maintenance	1,164,746	1,013,757	1,233,228	1,002,090	917,737
Purchased Water Service	1,370,103	1,361,918	1,108,833	1,089,062	892,886
Regional Water Authority Assessment	627,829	538,055	583,926	457,322	390,428
Other (a)	670,425	753,346	663,206	693,126	593,392
Capital Outlay (b)	170,287	1,203,641	479,808	214,976	340,743
Total Expenditures	\$ 5,379,452	\$ 6,122,305	\$ 5,237,481	\$ 4,599,693	\$ 4,206,853
Revenues Over (Under) Expenditures	\$ 1,312,135	\$ (287,863)	\$ 78,288	\$ 859,869	\$ 584,064
Other Financing Sources	\$ -	\$ 396,270	\$ -	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 4,236,780	\$ 4,128,373	\$ 4,050,085	\$ 3,190,216	\$ 2,606,152
Fund Balance (End of Year)	\$ 5,548,915	\$ 4,236,780	\$ 4,128,373	\$ 4,050,085	\$ 3,190,216

- (a) Includes tap connection expenses, chemicals and laboratory testing expenses, directors' meeting per diem, travel expenses, and payroll taxes, election expenses, insurance expense, office expenses, and other miscellaneous expenses.
- (b) The District has financed various capital projects with funds available in the operating account, including surface water conversion of its water plants, rehabilitation and maintenance of water plants and sewage treatment plants, and sanitary sewer rehabilitation.

DEBT SERVICE REQUIREMENTS

The following sets forth the actual debt service requirements for the Outstanding Bonds and the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2021	\$ 146,119 (a)		\$ 6,450	\$ 6,450	\$ 152,569
2022	1,973,291	\$ 350,000	24,050	374,050	2,347,341
2023	1,928,278	350,000	20,550	370,550	2,298,828
2024	1,871,813	350,000	17,050	367,050	2,238,863
2025	1,816,113	350,000	13,550	363,550	2,179,663
2026	831,906	230,000	10,650	240,650	1,072,556
2027	818,575	200,000	8,500	208,500	1,027,075
2028	784,375	200,000	6,500	206,500	990,875
2029	769,775	200,000	4,250	204,250	974,025
2030	512,475	200,000	1,500	201,500	713,975
Total	\$ 11,452,719	\$ 2,430,000	\$ 113,050	\$ 2,543,050	\$ 13,995,769

(a) Excludes the March 1, 2021 principal and interest payment of \$1,875,275.

Maximum Annual Debt Service Requirement (2022)	\$2,347,341
Average Annual Debt Service Requirement (2022-2030)	\$1,538,133

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the District and by a pledge of certain net revenues, if any, derived from the operation of the District’s waterworks and sanitary sewer and drainage facilities. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Infectious Disease Outlook (COVID-19)

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

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

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

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values 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 operations and maintenance expenses payable from ad valorem taxes.

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

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather Events; Hurricane Harvey

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. To the best knowledge of the District, water and wastewater service to the District was not interrupted due to Hurricane Harvey. Further, the District did not receive any reports of any improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, developed lots, multi-family development and commercial property. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Declines in the price of oil may adversely affect the demand for housing as well as the value of existing homes.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. At elections held within the District, voters in the District authorized \$57,120,000 principal amount of unlimited tax and revenue bonds for the purposes of purchasing and constructing a water, wastewater and storm drainage system in the District. After the issuance of the Bonds, the District will have \$9,545,000 principal amount of unlimited tax and revenue bonds authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for the construction of additional water, wastewater and storm sewer facilities is subject to approval by the TCEQ pursuant to issuance guidelines established by the TCEQ. See “THE BONDS—Issuance of Additional Debt.”

Maximum Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Taxable Assessed Valuation is \$896,622,442. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,347,341 (2022) and the average annual debt service requirement will be \$1,538,133 (2022-2030). Assuming no increase or decrease from the 2020 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.28 and \$0.19 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of February 1, 2021 is \$980,807,612 which reduces the above calculations to \$0.26 and \$0.17 per \$100 of assessed valuation, respectively. See “DEBT SERVICE REQUIREMENTS.” Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Bonds based upon the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of February 1, 2021, the District can make no representations regarding the future level of assessed valuation within the District. See “TAX DATA—Tax Adequacy for Debt Service” and “TAX PROCEDURES.”

Tax Collection Limitations

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

Registered Owners' Remedies

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

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. Even if a judgment against the District for money damages could be 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

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owner's claim against the District.

A district may not be placed into bankruptcy involuntarily.

Environmental and Air Quality Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

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

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

Risk Factors on Municipal Bond Insurance

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

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

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

Continuing Compliance with Certain Covenants

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

Marketability

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

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an ad valorem tax levied without limit as to rate or amount upon all taxable property in the District and the Net Revenues of the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law and from Net Revenues, if any, derived from operation of the District's system. Bond Counsel's opinion will also address the matters described below under "Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for the subcaption "Book-Entry-Only System"), "THE DISTRICT—General," "MANAGEMENT—Attorney," "TAX PROCEDURES," "LEGAL MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to herein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

In addition to serving as Bond Counsel, Strawn & Richardson, P.C., also acts as counsel to the District on matters not related to the issuance of the 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. McCall, Parkhurst & Horton, L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fees paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Tax Exemption

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

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in certificates pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

Ancillary 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, all of which are subject to change or modification, retroactively.

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM 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.

Tax Accounting Treatment of Discount Bonds

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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 \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

No-Litigation Certificate

With the delivery of the Bonds, the President or Vice President and Secretary or any Assistant Secretary of the Board will, on behalf of the District, execute a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District 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 of 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 titles of the then present officers of the Board.

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 financial condition of the District from that set forth or contemplated in the Preliminary Official Statement as amended or supplemented through the date of the sale.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 98.9739% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 1.373999% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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. 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.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the 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.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "A1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and 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 March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 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 \$2,121 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 documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 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".

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

"THE DISTRICT" – Eby Engineers, Inc. ("Engineer"), and Records of the District ("Records"); "THE SYSTEM" – Engineer; "FINANCIAL STATEMENT (UNAUDITED)" – Harris County Appraisal District and Equi-Tax, Inc.; "ESTIMATED OVERLAPPING DEBT AND TAX RATES" – Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Equi-Tax, Inc.; "MANAGEMENT" – Records; "THE BONDS," "TAX PROCEDURES," and "LEGAL MATTERS" – Strawn & Richardson, P.C.

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" (as related to District facilities) has been provided by Eby Engineers, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The financial statements of the District as of December 31, 2020, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended December 31, 2020.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board makes no other representation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in this official statement under the headings "THE BONDS—Issuance of Additional Debt," "THE SYSTEM—Source of Water Supply" and "—Source of Wastewater Treatment," "FINANCIAL STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audit report) and in APPENDIX A. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to the MSRB or any successor to its functions as a repository through EMMA. Any financial statements concerning the District so provided shall be prepared in accordance with generally accepted auditing standards 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 of the District is not complete within such period, then the District shall provide unaudited financial statements to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "Financial Obligation" when used in this paragraph means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

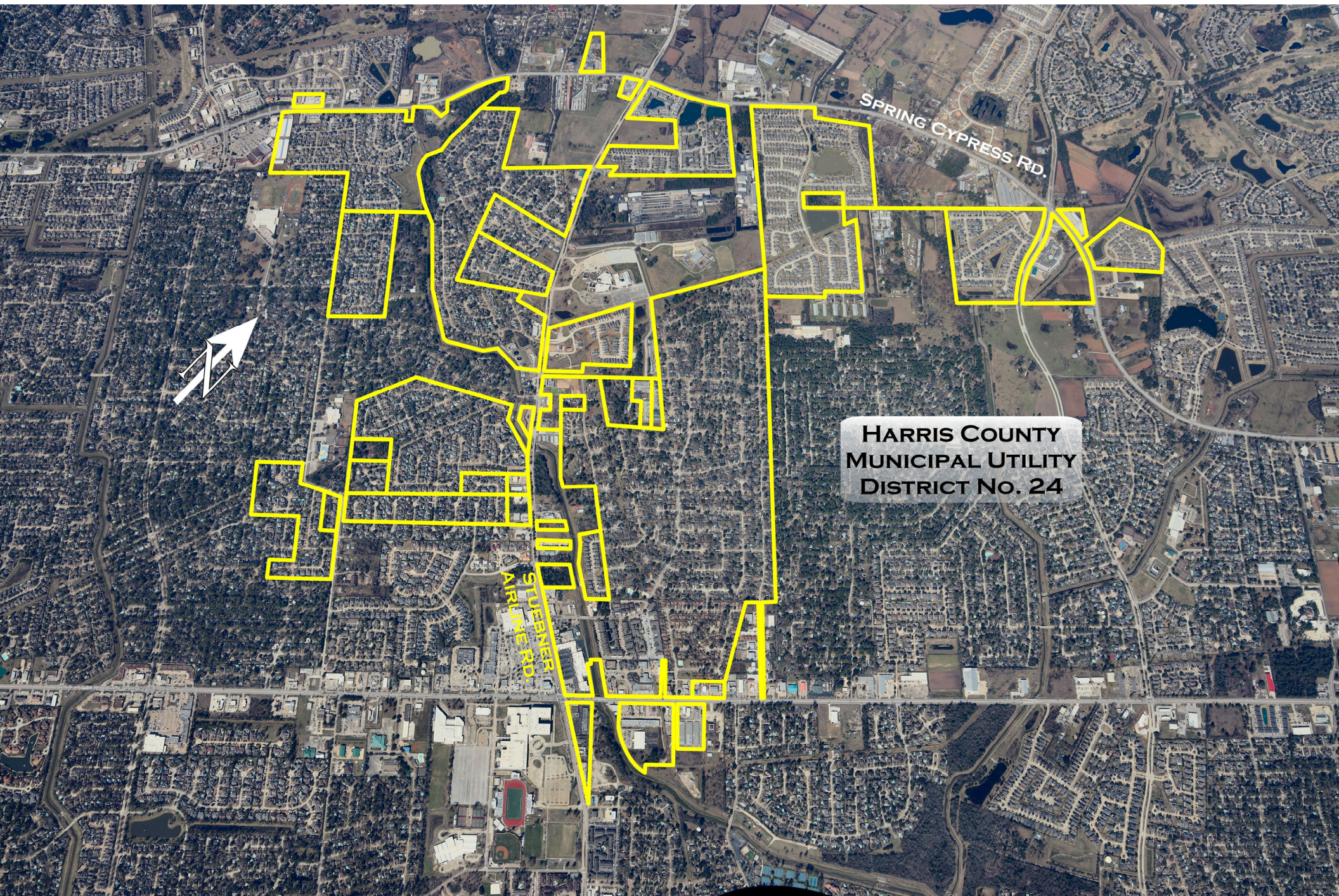
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 24, as of the date shown on the cover page.

/s/ Rick Corbin
President, Board of Directors
Harris County Municipal Utility District No. 24

ATTEST:

/s/ Marcia Fitzpatrick
Secretary, Board of Directors
Harris County Municipal Utility District No. 24

AERIAL LOCATION MAP
(Approximate boundaries as of March 2021)



SPRING CYPRESS RD.

**HARRIS COUNTY
MUNICIPAL UTILITY
DISTRICT No. 24**

SUPERIOR
AIRLINE RD.



PHOTOGRAPHS OF THE DISTRICT
(Taken March 2021)















APPENDIX A

District's Audited Financial Statements for the fiscal year ended December 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

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E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 24
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. 24 (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 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

April 21, 2021

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Management’s discussion and analysis of Harris County Municipal Utility District No. 24’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and 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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,421,155 as of December 31, 2020.

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

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 13,923,676	\$ 10,894,881	\$ 3,028,795
Capital Assets (Net of Accumulated Depreciation)	<u>30,185,115</u>	<u>29,413,081</u>	<u>772,034</u>
Total Assets	<u>\$ 44,108,791</u>	<u>\$ 40,307,962</u>	<u>\$ 3,800,829</u>
Deferred Outflows of Resources	<u>\$ 176,907</u>	<u>\$ 212,865</u>	<u>\$ (35,958)</u>
Due to Developers	\$ 3,563,200	\$ 1,749,716	\$ (1,813,484)
Long-Term Liabilities	12,049,504	13,786,263	1,736,759
Other Liabilities	<u>1,250,192</u>	<u>1,287,941</u>	<u>37,749</u>
Total Liabilities	<u>\$ 16,862,896</u>	<u>\$ 16,823,920</u>	<u>\$ (38,976)</u>
Deferred Inflows of Resources	<u>\$ 4,001,647</u>	<u>\$ 3,746,769</u>	<u>\$ (254,878)</u>
Net Position:			
Net Investment in Capital Assets	\$ 16,314,925	\$ 14,089,967	\$ 2,224,958
Restricted	990,937	1,049,692	(58,755)
Unrestricted	<u>6,115,293</u>	<u>4,810,479</u>	<u>1,304,814</u>
Total Net Position	<u>\$ 23,421,155</u>	<u>\$ 19,950,138</u>	<u>\$ 3,471,017</u>

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

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 3,729,439	\$ 3,595,340	\$ 134,099
Charges for Services	4,272,574	4,145,208	127,366
Other Revenues	<u>2,358,179</u>	<u>224,180</u>	<u>2,133,999</u>
Total Revenues	<u>\$ 10,360,192</u>	<u>\$ 7,964,728</u>	<u>\$ 2,395,464</u>
Expenses for Services	<u>6,889,175</u>	<u>6,697,837</u>	<u>(191,338)</u>
Change in Net Position	\$ 3,471,017	\$ 1,266,891	\$ 2,204,126
Net Position, Beginning of Year	<u>19,950,138</u>	<u>18,683,247</u>	<u>1,266,891</u>
Net Position, End of Year	<u>\$ 23,421,155</u>	<u>\$ 19,950,138</u>	<u>\$ 3,471,017</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as December 31, 2020, were \$6,684,408, an increase of \$1,256,525 from the prior year.

The General Fund fund balance increased by \$1,312,135, primarily due to property tax and service revenues exceeding operating and capital costs.

The Debt Service Fund fund balance decreased by \$55,610, primarily due to the structure of the District's outstanding debt service requirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$905,587 more than budgeted revenues and actual expenditures were \$453,448 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2020, total \$30,185,115 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems.

Capital asset events during the current fiscal year included the following:

- Reclaimed water project at the wastewater treatment plant
- Painting of elevated storage tank
- Sanitary sewer rehabilitation, phase 12
- Blower for wastewater treatment plant
- Water, wastewater and drainage facilities for Klein Grove, Section 1

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,433,366	\$ 2,433,366	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings	304,010	320,774	(16,764)
Landscaping	298,521	347,825	(49,304)
Water System	5,962,490	6,109,267	(146,777)
Wastewater System	14,638,051	14,750,492	(112,441)
Drainage	4,059,108	3,427,544	631,564
Detention Ponds	2,489,569	2,023,813	465,756
Total Net Capital Assets	\$ 30,185,115	\$ 29,413,081	\$ 772,034

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

LONG-TERM DEBT ACTIVITY

As of December 31, 2020, the District had total long-term debt payable of \$11,940,000. The changes in the debt position of the District during the fiscal year ended December 31, 2020, are summarized as follows:

Bond Debt Payable, January 1, 2020	\$ 13,655,000
Less: Bond Principal Paid	1,715,000
Bond Debt Payable, December 31, 2020	\$ 11,940,000

The District's bonds carry an underlying rating of "A1" from Moody's. The Series 2008 Bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Assured Guaranty Corp. The Series 2011 Bonds carry an insured rating of "A2" from Moody's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 Refunding Bonds, Series 2015 Bonds and Series 2016 Bonds carry an insured rating of "AA" from Standard and Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2019 Refunding Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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. 24, c/o Strawn & Richardson, PC, 1155 Dairy Ashford Road, Suite 875, Houston, TX 77079.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 450,319	\$ 569,873
Investments	5,983,103	1,291,871
Receivables:		
Property Taxes	1,346,998	1,702,134
Penalty and Interest on Delinquent Taxes		
Service Accounts	351,165	
Builder Damages	309	
Due from Other Funds	156,551	
Prepaid Costs	102,889	
Chloramination Credits Receivable		
Reuse Credits Receivable		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 8,391,334	\$ 3,563,878
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,391,334	\$ 3,563,878

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,020,192	\$	\$ 1,020,192
7,274,974		7,274,974
3,049,132		3,049,132
351,165	16,101	16,101
309		351,165
156,551	(156,551)	309
102,889		102,889
	543,307	543,307
	1,565,607	1,565,607
	2,433,366	2,433,366
	<u>27,751,749</u>	<u>27,751,749</u>
<u>\$ 11,955,212</u>	<u>\$ 32,153,579</u>	<u>\$ 44,108,791</u>
<u>\$ -0-</u>	<u>\$ 176,907</u>	<u>\$ 176,907</u>
<u>\$ 11,955,212</u>	<u>\$ 32,330,486</u>	<u>\$ 44,285,698</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 437,490	\$ 249
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		156,551
Due to Taxpayers		7,852
Annexation/Construction Deposits	18,754	
Security Deposits	594,530	
Accrued Interest on Premium Compound Interest Bonds		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 1,050,774	\$ 164,652
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,791,645	\$ 2,263,733
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 102,889	\$
Restricted for Debt Service		1,135,493
Unassigned	5,446,026	
TOTAL FUND BALANCES	\$ 5,548,915	\$ 1,135,493
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,391,334	\$ 3,563,878
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 437,739	\$	\$ 437,739
	113,517	113,517
	3,563,200	3,563,200
156,551	(156,551)	
7,852		7,852
18,754		18,754
594,530		594,530
	77,800	77,800
	1,705,000	1,705,000
	10,344,504	10,344,504
<u>\$ 1,215,426</u>	<u>\$ 15,647,470</u>	<u>\$ 16,862,896</u>
<u>\$ 4,055,378</u>	<u>\$ (53,731)</u>	<u>\$ 4,001,647</u>
\$ 102,889	\$ (102,889)	\$
1,135,493	(1,135,493)	
5,446,026	(5,446,026)	
<u>\$ 6,684,408</u>	<u>\$ (6,684,408)</u>	<u>\$ - 0 -</u>
<u>\$ 11,955,212</u>		
	\$ 16,314,925	\$ 16,314,925
	990,937	990,937
	6,115,293	6,115,293
	<u>\$ 23,421,155</u>	<u>\$ 23,421,155</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balances - Governmental Funds \$ 6,684,408

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

Credits due from the North Harris County Regional Water Authority for capital contributions and asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds. 543,307

Credits due from the North Harris County Regional Water Authority for capital costs of constructing a reuse delivery system are not current financial resources and, therefore, are not reported as assets in the governmental funds. 1,565,607

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 176,907

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 30,185,115

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenues in the governmental activities of the District. 69,832

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

Due to Developers	\$ (3,563,200)	
Accrued Interest Payable	(113,517)	
Accrued Interest Payable on Compound Interest Bonds	(77,800)	
Bonds Payable	<u>(12,049,504)</u>	<u>(15,804,021)</u>

Total Net Position - Governmental Activities \$ 23,421,155

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

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,652,539	\$ 2,067,933
Water Service	792,543	
Wastewater Service	1,244,256	
Tax Revenue from Other Government	29,199	
Regional Water Authority Fees	2,069,856	
Penalty and Interest	25,237	32,459
Tap Connection and Inspection Fees	82,265	
Investment Revenues	74,965	8,113
Capital Recovery Fees	433,000	
Reuse Credits	258,074	
Capital Contributions for Reuse Delivery System		
Miscellaneous Revenues	29,653	1,689
TOTAL REVENUES	\$ 6,691,587	\$ 2,110,194
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 237,499	\$ 14,717
Contracted Services	885,444	72,070
Purchased Water Service	1,370,103	
Utilities	253,119	
Regional Water Authority Assessments	627,829	
Repairs and Maintenance	1,164,746	
Depreciation		
Other	670,425	12,261
Capital Outlay	170,287	
Debt Service:		
Bond Principal		1,715,000
Bond Interest		351,756
TOTAL EXPENDITURES/EXPENSES	\$ 5,379,452	\$ 2,165,804
NET CHANGE IN FUND BALANCES	\$ 1,312,135	\$ (55,610)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2020	4,236,780	1,191,103
FUND BALANCES/NET POSITION - DECEMBER 31, 2020	\$ 5,548,915	\$ 1,135,493

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 3,720,472	\$ 8,967	\$ 3,729,439
792,543		792,543
1,244,256		1,244,256
29,199		29,199
2,069,856		2,069,856
57,696	(3,241)	54,455
82,265		82,265
83,078	(12,922)	70,156
433,000		433,000
258,074	(258,074)	
	1,823,681	1,823,681
31,342		31,342
<u>\$ 8,801,781</u>	<u>\$ 1,558,411</u>	<u>\$ 10,360,192</u>
\$ 252,216	\$	\$ 252,216
957,514		957,514
1,370,103		1,370,103
253,119		253,119
627,829		627,829
1,164,746		1,164,746
	1,211,737	1,211,737
682,686		682,686
170,287	(170,287)	
1,715,000	(1,715,000)	
351,756	17,469	369,225
<u>\$ 7,545,256</u>	<u>\$ (656,081)</u>	<u>\$ 6,889,175</u>
\$ 1,256,525	\$ (1,256,525)	\$
	3,471,017	3,471,017
5,427,883	14,522,255	19,950,138
<u>\$ 6,684,408</u>	<u>\$ 16,736,747</u>	<u>\$ 23,421,155</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances - Governmental Funds	\$ 1,256,525
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	8,967
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	(3,241)
Governmental funds report North Harris County Regional Water Authority credits as revenues. In the government-wide financial statements, the principal portion of the credits decreases long-term receivables and the balance is recorded as investment or reuse credit revenue.	1,552,685
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,211,737)
Governmental funds report capital costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets are expensed in the Statement of Activities.	170,287
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments on long-term debt decrease long-term liabilities and the Statement of Activities is not affected.	1,715,000
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.	<u>(17,469)</u>
Change in Net Position - Governmental Activities	<u>\$ 3,471,017</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 24 of Harris County, Texas (the “District”) was created on December 12, 1972, by an Order of the Texas Department of Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on February 7, 1973, and the first bonds were sold on February 15, 1975.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses of the government-wide Statement of Activities.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include 2019 taxes collected during the period October 1, 2019, to December 31, 2020. In addition, taxes collected from January 1, 2020, to December 31, 2020, for all prior tax levies are included in revenue. The 2020 tax levy has been fully deferred to meet operating expenditures for the 2021 fiscal year.

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have a total cost of \$10,000 and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Series 2008</u>	<u>Series 2011</u>	<u>Series 2013 Refunding Bonds</u>	<u>Series 2015</u>
Amount Outstanding – December 31, 2020	\$ 225,000	\$ 525,000	\$ 3,670,000	\$ 4,265,000
Interest Rates	4.00%	3.25% - 3.625%	2.00% - 3.50%	2.00% - 3.00%
Maturity Dates – Beginning/Ending	March 1, 2021	March 1, 2021/2023	March 1, 2021/2025	March 1, 2021/2030
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	March 1, 2017*	March 1, 2019*	March 1, 2021*	March 1, 2023*
		<u>Series 2019 Refunding Bonds</u>		
	<u>Series 2016</u>	<u>Current Interest Bonds</u>	<u>Premium Compound Interest Bonds</u>	
Amount Outstanding – December 31, 2020	\$ 1,040,000	\$ 2,210,000	\$ 5,000	
Interest Rates	2.00% - 2.50%	2.00% - 3.00%	1.76%	
Maturity Dates – Beginning/Ending	March 1, 2021/2030	March 1, 2021/2029	March 1, 2022	
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Callable Dates	March 1, 2024*	March 1, 2025*	**	

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

- * At the option of the District as a whole or in part on the call option date or any date thereafter, at par plus accrued interest to the date of redemption. Series 2008 term bonds maturing March 1, 2021 are subject to mandatory redemption by lot beginning March 1, 2018. Series 2011 term bonds maturing on March 1, 2021, and March 1, 2023 are subject to mandatory redemption by lot beginning March 1, 2020 and March 1, 2022, respectively. Series 2015 term bonds maturing on March 1, 2022 are subject to mandatory redemption by lot are other customary method of random selection beginning on March 1, 2021. Series 2016 term bonds maturing on March 1, 2022, March 1, 2024, March 1, 2026, and March 1, 2030 are subject to mandatory redemption by lot or other customary method of random selection beginning March 1, 2021, March 1, 2023, March 1, 2025, and March 1, 2027, respectively.
- ** The Premium Compound Interest Bonds are non-callable. The par value of the Premium Compound Interest Bonds is \$5,000 and the maturity is \$85,000. Interest on these bonds will be paid at maturity. At December 31, 2020, the accreted value of these bonds is approximately \$82,800. Accrued interest of \$77,800 has been recorded in the Statement of Net Position.

The following is a summary of transactions regarding the changes in the long-term liabilities for the year ended December 31, 2020:

	January 1, 2020	Additions	Retirements	December 31, 2020
Bonds Payable	\$ 13,655,000	\$	\$ 1,715,000	\$ 11,940,000
Unamortized Premiums	131,263		21,759	109,504
Bonds Payable, Net	\$ 13,786,263	\$ -0-	\$ 1,736,759	\$ 12,049,504
			Amount Due Within One Year	\$ 1,705,000
			Amount Due After One Year	10,344,504
			Bonds Payable, Net	\$ 12,049,504

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2021	\$ 1,705,000	\$ 316,394	\$ 2,021,394
2022	1,625,000	348,290	1,973,290
2023	1,710,000	218,279	1,928,279
2024	1,705,000	166,812	1,871,812
2025	1,700,000	116,113	1,816,113
2026-2030	3,495,000	222,106	3,717,106
	<u>\$ 11,940,000</u>	<u>\$ 1,387,994</u>	<u>\$ 13,327,994</u>

As of December 31, 2020, the District had authorized but unissued tax bonds in the amount of \$11,975,000.

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, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

During the year ended December 31, 2020, the District levied an ad valorem debt service tax rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$2,233,062 on the adjusted taxable valuation of \$893,224,670 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS
(Continued)

B. The bond orders state that the District is required to provide to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system 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.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$1,020,192 and the bank balance was \$1,088,544. The District was not subject to custodial credit risk at year-end.

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

	Cash
GENERAL FUND	\$ 450,319
DEBT SERVICE FUND	569,873
TOTAL DEPOSITS	\$ 1,020,192

Investments

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 5,983,103	\$ 5,983,103
<u>DEBT SERVICE FUND</u>		
TexPool	1,291,871	1,291,871
TOTAL INVESTMENTS	\$ 7,274,974	\$ 7,274,974

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2020, the District’s investments in TexPool were rated “AAAm” by Standard and Poor’s.

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

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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020:

	January 1, 2020	Increases	Decreases	December 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,433,366	\$ -0-	\$ -0-	\$ 2,433,366
Capital Assets Subject to Depreciation				
Buildings	\$ 627,103		\$	\$ 627,103
Landscaping	559,645			559,645
Water System	13,057,735	272,360		13,330,095
Wastewater System	21,450,017	438,908		21,888,925
Drainage System	4,273,324	745,370		5,018,694
Detention Ponds	2,891,192	527,133		3,418,325
Total Capital Assets Subject to Depreciation	<u>\$ 42,859,016</u>	<u>\$ 1,983,771</u>	<u>\$ -0-</u>	<u>\$ 44,842,787</u>
Accumulated Depreciation				
Buildings	\$ 306,329	\$ 16,764	\$	\$ 323,093
Landscaping	211,820	49,304		261,124
Water System	6,948,468	419,137		7,367,605
Wastewater System	6,699,525	551,349		7,250,874
Drainage System	845,780	113,806		959,586
Detention Ponds	867,379	61,377		928,756
Total Accumulated Depreciation	<u>\$ 15,879,301</u>	<u>\$ 1,211,737</u>	<u>\$ -0-</u>	<u>\$ 17,091,038</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 26,979,715</u>	<u>\$ 772,034</u>	<u>\$ -0-</u>	<u>\$ 27,751,749</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 29,413,081</u>	<u>\$ 772,034</u>	<u>\$ -0-</u>	<u>\$ 30,185,115</u>

The District has financed certain drainage facilities that the County has accepted for maintenance. Such drainage facilities have not been capitalized by the District.

NOTE 7. MAINTENANCE TAX

At an election held on August 17, 1974, the voters of the District approved the levy and collection of a maintenance tax at an unlimited rate per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to fund expenditures of operating the District's waterworks and sanitary sewer system. During the year ended December 31, 2020, the District levied an ad valorem maintenance tax rate of \$0.198 per \$100 of assessed valuation, which resulted in a tax levy of \$1,768,585 on the adjusted taxable valuation of \$893,224,670 for the 2020 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. WATER SUPPLY AND WASTE DISPOSAL CONTRACT

On March 26, 1987, the District executed a contract with Kleinwood Municipal Utility District (“Kleinwood”) providing for the District to serve a certain 14-acre tract of land located within Kleinwood. Kleinwood is unable to provide service to this tract of land. The developer of the tract agreed to construct the water and sewer lines on the property with the District agreeing to provide ordinary maintenance on the facilities. Extraordinary repairs are to be shared by both districts. The District is entitled to collect all tap fees and revenues to be derived from operating the system. The developer has conveyed the utilities to the District by general warranty deed.

Kleinwood agreed to fund to the District seventy percent (70%) of the ad valorem taxes levied by Kleinwood on the development each year for the term of the contract. By March 1 of each year, Kleinwood agreed to pay the amount provided for above to the District and provide documentation supporting the calculation of the amount paid. If an owner of property within the development has not paid the taxes due by March 1, Kleinwood shall have 30 days from any payment date to pay the District an amount equal to seventy percent (70%) of the taxes, penalty and interest accrued to date, excluding any fifteen percent (15%) penalties. At such time as ninety percent (90%) of the taxes levied by Kleinwood on the development are collected by Kleinwood, Kleinwood will fund the entire remaining amount owing for that year to the District. The payment by Kleinwood is to be a cost of operating their water and sewer system.

The District can charge the residents within this development in accordance with an out-of-district rate provided the charge shall not exceed two times the amount charged within the District. Presently, the District charges the residents within this development at 150% of in-district customer rates. The agreement has a term of 40 years. During the current fiscal year, the District recorded revenue of \$29,199 from Kleinwood for the 70% provisions of this agreement.

NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS

On October 14, 1991, the District executed an Emergency Water Supply Agreement with Cypress-Klein Utility District. The agreement provides for each district to jointly share in the cost of making the connection to each other’s water system. The cost of water supplied to each District is to be \$250 per day. The agreement has a term of 40 years. On March 18, 1999, by letter agreement, the District agreed to allow Cypress-Klein to serve Harris County Municipal Utility District No. 316 through the same interconnect.

On May 13, 2008, the District executed an Emergency Water Supply Contract with Spring Creek Forest Public Utility District. The contract provides that during an emergency, the district experiencing the emergency shall be supplied water by the other district through an existing emergency water connection. The cost of water supplied to each district is to be \$0.75 per 1,000 gallons of water supplied, plus any fee imposed by a regional water authority, groundwater conservation district, governmental entity or contractual arrangement. If the supplying party purchases all or a portion of the water supplied during an emergency from a third party due to an inability of such supplying party to meet the water demands of its own customers and the receiving party solely through utilization of its own water production facilities, the receiving

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)

party shall pay the supplying party for water received from the third party at a rate per 1,000 gallons equal to the rate paid by the supplying party for such water in the event that such rate is greater than \$0.75 per 1,000 gallons. The agreement has a term of 20 years.

On January 4, 2012, the District executed an Emergency Water Supply Contract with Northwest Harris County Municipal Utility District No. 30. The contract provides that during an emergency, the district experiencing the emergency shall be supplied water by the other district through an existing emergency water connection. The cost of water supplied to each district is the current per 1,000 gallons surface water fee paid to the Authority by the supplying district. The term of this contract is 25 years.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fee is \$4.25 per 1,000 gallons of water pumped from each well. The District recorded an expenditure of \$627,829 for fees assessed during the current fiscal year. In addition, the District purchased surface water from the Authority. The current rate is \$4.70 per 1,000 gallons of water delivered. The District recorded expenditures of \$1,370,103 for water purchased during 2020.

The Authority required the District to convert its water system to chloramine disinfection for as long as it is connected to the Authority's system. The District's cost of this conversion was \$637,235. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the December 2011 Authority

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

billing. Total credits received in the current fiscal year were \$46,296. Of this amount, \$12,922 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

Fiscal Year	Principal	Interest	Total
2021	\$ 13,698	\$ 32,598	\$ 46,296
2022	14,519	31,777	46,296
2023	15,391	30,905	46,296
2024	16,314	29,982	46,296
2025	17,293	29,003	46,296
2026-2030	103,330	128,150	231,480
2031-2035	138,279	93,201	231,480
2036-2040	185,048	46,432	231,480
2041	<u>39,435</u>	<u>2,242</u>	<u>41,677</u>
	<u>\$ 543,307</u>	<u>\$ 424,290</u>	<u>\$ 967,597</u>

On August 6, 2018, the District and the Authority entered into an Alternative Water Use Incentive Agreement. Under the terms of the Agreement, the District has designed, constructed and implemented a reuse delivery system to use reclaimed water from the District’s wastewater treatment facility in order to use such reclaimed water for irrigation of landscaping within the medians on Stuebner Airline Road, near Louetta Road, and for soil compaction and dust control in construction areas with the District. The capital costs to construct the system were \$1,686,550 plus \$137,131 in interest. Upon completion of the construction of the system, the District received an initial credit of 10% of the capital and interest costs. Per the Agreement, the Authority has agreed to issue alternative water reuse credits against Authority fees up to a maximum of the capital costs including interest. During the current fiscal year, the District received \$258,074 of reuse credits, leaving a reuse credits receivable balance of \$1,565,607 as of December 31, 2020.

NOTE 12. INTERFUND BALANCES

As of December 31, 2020, the Debt Service Fund owed the General Fund \$148,301 for maintenance tax collections and \$8,250 for continuing disclosure costs and arbitrage fees.

NOTE 13. UNREIMBURSED COSTS

The District has entered into development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. As of December 31, 2020, the District recorded an estimated liability of \$3,563,200 for completed projects.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14. SUBSEQUENT EVENT – PENDING BOND SALE

The Commission has approved the District's application to issue \$2,430,000 of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds. Delivery of the bonds is expected on or about June 22, 2021.

NOTE 15. ECONOMIC 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 are likely to have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,600,000	\$ 1,652,539	\$ 52,539
Water Service	800,000	792,543	(7,457)
Wastewater Service	1,225,000	1,244,256	19,256
Tax Revenue from Other Government	38,000	29,199	(8,801)
Regional Water Authority Fees	1,900,000	2,069,856	169,856
Penalty and Interest		25,237	25,237
Tap Connection and Inspection Fees	14,000	82,265	68,265
Investment Revenues	177,000	74,965	(102,035)
Capital Recovery Fees		433,000	433,000
Reuse Credits		258,074	258,074
Miscellaneous Revenues	<u>32,000</u>	<u>29,653</u>	<u>(2,347)</u>
TOTAL REVENUES	<u>\$ 5,786,000</u>	<u>\$ 6,691,587</u>	<u>\$ 905,587</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 344,000	\$ 237,499	\$ 106,501
Contracted Services	764,600	885,444	(120,844)
Purchased Water Service/Pumpage Fees	2,000,000	1,997,932	2,068
Utilities	237,000	253,119	(16,119)
Repairs and Maintenance	983,000	1,164,746	(181,746)
Other	740,300	670,425	69,875
Capital Outlay	<u>764,000</u>	<u>170,287</u>	<u>593,713</u>
TOTAL EXPENDITURES	<u>\$ 5,832,900</u>	<u>\$ 5,379,452</u>	<u>\$ 453,448</u>
NET CHANGE IN FUND BALANCE	\$ (46,900)	\$ 1,312,135	\$ 1,359,035
FUND BALANCE - JANUARY 1, 2020	<u>4,236,780</u>	<u>4,236,780</u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2020	<u>\$ 4,189,880</u>	<u>\$ 5,548,915</u>	<u>\$ 1,359,035</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

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

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
<u> X </u>	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	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 3/4" METER (OR EQUIVALENT):

Based on the rate order effective September 18, 2019

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 8.00	3,000	N	\$ 1.00 \$ 1.25 \$ 1.50 \$ 1.75	3,001 to 10,000 10,001 to 20,000 20,001 to 30,000 30,001 and up
WASTEWATER:	\$ 12.00*		Y		
SURCHARGE:					
Regional Water Authority Fees			N	\$ 5.41	All

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

Total monthly charges per 10,000 gallons usage: Water: \$15.00 Wastewater: \$12.00 Surcharge: \$54.10 Total: \$81.10

* All single-family homes within Oakwood Glen, Shannon Forest, Woodbriar Place, Oakwood West, Glenn Haven Estates, Villas of Oakwood Glen, Lyndhurst Village, Deer Creek Condos, Twin Falls, Willowick Forest, The Chancel, Creekside Farms and Klein Grove shall be billed a monthly service charge for sewer of \$31.27. The District provides solid waste disposal in those subdivisions.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>3,126</u>	<u>3,092</u>	x 1.0	<u>3,092</u>
1"	<u>114</u>	<u>114</u>	x 2.5	<u>285</u>
1½"	<u>28</u>	<u>27</u>	x 5.0	<u>135</u>
2"	<u>51</u>	<u>47</u>	x 8.0	<u>376</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>2</u>	<u>2</u>	x 25.0	<u>50</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>7</u>	<u>7</u>	x 80.0	<u>560</u>
10"			x 115.0	
Total Water Connections	<u><u>3,334</u></u>	<u><u>3,295</u></u>		<u><u>4,658</u></u>
Total Wastewater Connections	<u><u>3,292</u></u>	<u><u>3,253</u></u>	x 1.0	<u><u>3,253</u></u>

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

Gallons pumped into system:	148,670,000	Water Accountability Ratio: 93.4% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	282,670,000	From: North Harris County Regional Water Authority
Gallons billed to customers:	402,978,000	

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely 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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

PROFESSIONAL FEES:	
Auditing	\$ 22,350
Engineering	94,443
Legal	<u>120,706</u>
TOTAL PROFESSIONAL FEES	<u>\$ 237,499</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 1,370,103</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 15,094
Operations and Billing	267,936
Building Management	6,000
Recording Secretary	2,850
Solid Waste Disposal	<u>593,564</u>
TOTAL CONTRACTED SERVICES	<u>\$ 885,444</u>
UTILITIES:	
Electricity	\$ 199,240
Telephone	<u>53,879</u>
TOTAL UTILITIES	<u>\$ 253,119</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,164,746</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 26,600
Election Costs	707
Insurance	64,612
Office Building Expenses	18,179
Office Supplies and Postage	44,330
Payroll Taxes	1,785
Travel and Meetings	3,839
Other	<u>11,324</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 171,376</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

CAPITAL OUTLAY	\$ <u>170,287</u>
TAP CONNECTIONS	\$ <u>50,471</u>
OTHER EXPENDITURES:	
Chemicals	\$ 152,886
Laboratory Fees	155,141
Permit Fees	23,994
Reconnection Fees	15,795
Inspection Fees	20,581
Regional Water Authority Assessments	627,829
Regulatory Assessment	9,823
Sludge Hauling	55,983
Other	<u>14,375</u>
TOTAL OTHER EXPENDITURES	\$ <u>1,076,407</u>
TOTAL EXPENDITURES	<u>\$ 5,379,452</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
INVESTMENTS
DECEMBER 31, 2020

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 5,983,103	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0012	Varies	Daily	\$ 1,291,871	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 7,274,974</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE -		
JANUARY 1, 2020	\$ 1,396,291	\$ 1,750,617
Adjustments to Beginning		
Balance	<u>(7,092)</u>	<u>(10,189)</u>
	\$ 1,389,199	\$ 1,740,428
Original 2020 Tax Levy	\$ 1,621,742	\$ 2,047,654
Adjustment to 2020 Tax Levy	<u>146,843</u>	<u>185,408</u>
	<u>1,768,585</u>	<u>2,233,062</u>
TOTAL TO BE		
ACCOUNTED FOR	\$ 3,157,784	\$ 3,973,490
TAX COLLECTIONS:		
Prior Years	\$ 1,366,128	\$ 1,709,919
Current Year	<u>444,658</u>	<u>561,437</u>
	<u>1,810,786</u>	<u>2,271,356</u>
TAXES RECEIVABLE -		
DECEMBER 31, 2020	<u>\$ 1,346,998</u>	<u>\$ 1,702,134</u>
TAXES RECEIVABLE BY		
YEAR:		
2020	\$ 1,323,927	\$ 1,671,625
2019	14,040	17,550
2018	4,891	6,963
2017	2,142	3,043
2016	1,091	1,559
2015	161	234
2014	300	478
2013 and prior	<u>446</u>	<u>682</u>
TOTAL	<u>\$ 1,346,998</u>	<u>\$ 1,702,134</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	\$ 171,749,795	\$ 159,919,635	\$ 154,044,958	\$ 146,596,146
Improvements	779,512,488	740,136,085	700,057,262	686,979,793
Personal Property	25,731,131	20,472,657	16,697,739	16,220,953
Exemptions	(83,768,744)	(87,913,098)	(69,932,600)	(65,139,261)
TOTAL PROPERTY VALUATIONS	\$ 893,224,670	\$ 832,615,279	\$ 800,867,359	\$ 784,657,631
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.250	\$ 0.25	\$ 0.26	\$ 0.27
Maintenance**	0.198	0.20	0.19	0.19
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.448	\$ 0.45	\$ 0.45	\$ 0.46
ADJUSTED TAX LEVY*	\$ 4,001,647	\$ 3,746,769	\$ 3,605,052	\$ 3,610,092
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	25.14 %	99.16 %	99.67 %	99.86 %

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

** Maintenance Tax – An unlimited rate per \$100 of assessed valuation approved by voters on August 17, 1974.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 0 8			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 225,000	\$ 4,500	\$ 229,500
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
	\$ 225,000	\$ 4,500	\$ 229,500

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 165,000	\$ 15,731	\$ 180,731
2022	175,000	9,878	184,878
2023	185,000	3,353	188,353
2024			
2025			
2026			
2027			
2028			
2029			
2030			
	\$ 525,000	\$ 28,962	\$ 553,962

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

REFUNDING SERIES - 2013

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 745,000	\$ 113,550	\$ 858,550
2022	740,000	89,425	829,425
2023	735,000	63,613	798,613
2024	730,000	37,975	767,975
2025	720,000	12,600	732,600
2026			
2027			
2028			
2029			
2030			
	<u>\$ 3,670,000</u>	<u>\$ 317,163</u>	<u>\$ 3,987,163</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 400,000	\$ 105,638	\$ 505,638
2022	400,000	97,637	497,637
2023	400,000	88,888	488,888
2024	400,000	79,387	479,387
2025	400,000	69,888	469,888
2026	450,000	59,231	509,231
2027	450,000	47,137	497,137
2028	450,000	34,200	484,200
2029	450,000	20,700	470,700
2030	465,000	6,975	471,975
	\$ 4,265,000	\$ 609,681	\$ 4,874,681

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total	
2021	\$ 150,000	\$ 20,375	\$	170,375
2022	150,000	17,375		167,375
2023	150,000	14,375		164,375
2024	150,000	11,375		161,375
2025	150,000	8,375		158,375
2026	75,000	6,125		81,125
2027	75,000	4,438		79,438
2028	50,000	2,875		52,875
2029	50,000	1,625		51,625
2030	40,000	500		40,500
	\$ 1,040,000	\$ 87,438	\$	1,127,438

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

REFUNDING SERIES - 2019

Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	\$ 20,000	\$ 56,600	\$ 76,600
2022	160,000	133,975	293,975
2023	240,000	48,050	288,050
2024	425,000	38,075	463,075
2025	430,000	25,250	455,250
2026	225,000	16,550	241,550
2027	230,000	12,000	242,000
2028	240,000	7,300	247,300
2029	245,000	2,450	247,450
2030			
	<u>\$ 2,215,000</u>	<u>\$ 340,250</u>	<u>\$ 2,555,250</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,705,000	\$ 316,394	\$ 2,021,394
2022	1,625,000	348,290	1,973,290
2023	1,710,000	218,279	1,928,279
2024	1,705,000	166,812	1,871,812
2025	1,700,000	116,113	1,816,113
2026	750,000	81,906	831,906
2027	755,000	63,575	818,575
2028	740,000	44,375	784,375
2029	745,000	24,775	769,775
2030	505,000	7,475	512,475
	<u>\$ 11,940,000</u>	<u>\$ 1,387,994</u>	<u>\$ 13,327,994</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020

Description	Original Bonds Issued	Bonds Outstanding January 1, 2020
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2008	\$ 3,600,000	\$ 450,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2011	2,880,000	680,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2013	7,260,000	4,425,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2015	5,465,000	4,665,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2016	1,490,000	1,190,000
Harris County Municipal Utility District No. 24 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2019	<u>2,245,000</u>	<u>2,245,000</u>
TOTAL	<u>\$ 22,940,000</u>	<u>\$ 13,655,000</u>

Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 57,120,000	\$
Amount Issued	<u>45,145,000</u>	<u></u>
Remaining to be Issued	<u>\$ 11,975,000</u>	<u>\$ - 0 -</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2020</u>		<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 225,000	\$ 13,500	\$ 225,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	155,000	20,931	525,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	755,000	132,275	3,670,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	400,000	113,637	4,265,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	150,000	23,375	1,040,000		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>30,000</u>	<u>48,038</u>	<u>2,215,000</u>		The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,715,000</u>	<u>\$ 351,756</u>	<u>\$ 11,940,000</u>		

Debt Service Fund cash and investment balances as of
December 31, 2020:

\$ 1,861,744

Average annual debt service payment (principal and interest) for remaining term
of all debt:

\$ 1,332,799

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 1,652,539	\$ 1,513,506	\$ 1,492,761
Water Service	792,543	759,422	781,268
Wastewater Service	1,244,256	1,224,473	1,138,477
Tax Revenue from Other Government	29,199	28,779	28,803
Regional Water Authority Fees	2,069,856	1,827,503	1,643,551
Penalty and Interest	25,237	47,963	44,057
Tap Connection and Inspection Fees	82,265	230,442	14,930
Investment Revenues	74,965	160,580	138,448
Capital Recovery Fees	433,000		
Reuse Credits	258,074		
Miscellaneous Revenues	29,653	41,774	33,474
TOTAL REVENUES	\$ 6,691,587	\$ 5,834,442	\$ 5,315,769
EXPENDITURES			
Professional Fees	\$ 237,499	\$ 238,852	\$ 212,491
Contracted Services	885,444	783,594	690,696
Purchased Water Service	1,370,103	1,361,918	1,108,833
Utilities	253,119	229,142	265,293
Regional Water Authority Assessments	627,829	538,055	583,926
Repairs and Maintenance	1,164,746	1,013,757	1,233,228
Sludge Hauling	55,983	60,430	58,160
Other	614,442	692,916	605,046
Capital Outlay	170,287	1,203,641	479,808
TOTAL EXPENDITURES	\$ 5,379,452	\$ 6,122,305	\$ 5,237,481
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,312,135	\$ (287,863)	\$ 78,288
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ -0-	\$ 396,270	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 1,312,135	\$ 108,407	\$ 78,288
BEGINNING FUND BALANCE	4,236,780	4,128,373	4,050,085
ENDING FUND BALANCE	\$ 5,548,915	\$ 4,236,780	\$ 4,128,373

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,558,572	\$ 1,406,438	24.8 %	26.0 %	28.2 %	28.5 %	29.4 %
779,178	774,008	11.8	13.0	14.7	14.3	16.2
1,111,193	1,074,589	18.6	21.0	21.4	20.4	22.4
29,265	25,638	0.4	0.5	0.5	0.5	0.5
1,508,269	1,264,669	30.9	31.3	30.9	27.6	26.4
37,466	39,170	0.4	0.8	0.8	0.7	0.8
316,210	103,390	1.2	3.9	0.3	5.8	2.2
87,300	62,403	1.1	2.8	2.6	1.6	1.3
		6.5				
		3.9				
32,109	40,612	0.4	0.7	0.6	0.6	0.8
\$ 5,459,562	\$ 4,790,917	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 229,006	\$ 169,005	3.5 %	4.1 %	4.0 %	4.2 %	3.5 %
666,835	658,768	13.2	13.4	13.0	12.2	13.8
1,089,062	892,886	20.5	23.3	20.9	19.9	18.6
247,276	243,894	3.8	3.9	5.0	4.5	5.1
457,322	390,428	9.4	9.2	11.0	8.4	8.1
1,002,090	917,737	17.4	17.4	23.2	18.4	19.2
45,250	24,443	0.8	1.0	1.1	0.8	0.5
647,876	568,949	9.2	11.9	11.4	11.9	11.9
214,976	340,743	2.5	20.6	9.0	3.9	7.1
\$ 4,599,693	\$ 4,206,853	80.3 %	104.8 %	98.6 %	84.2 %	87.8 %
\$ 859,869	\$ 584,064	19.7 %	(4.8) %	1.4 %	15.8 %	12.2 %
\$ -0-	\$ -0-					
\$ 859,869	\$ 584,064					
3,190,216	2,606,152					
\$ 4,050,085	\$ 3,190,216					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 2,067,933	\$ 2,071,210	\$ 2,124,444
Penalty and Interest	32,459	21,552	33,919
Investment Revenues	8,113	29,524	25,375
Miscellaneous Revenues	1,689	4,222	2,964
TOTAL REVENUES	\$ 2,110,194	\$ 2,126,508	\$ 2,186,702
EXPENDITURES			
Tax Collection Expenditures	\$ 94,798	\$ 83,957	\$ 88,522
Debt Service Principal	1,715,000	1,690,000	1,695,000
Debt Service Interest and Fees	356,006	438,719	481,794
Bond Issuance Costs		118,722	
TOTAL EXPENDITURES	\$ 2,165,804	\$ 2,331,398	\$ 2,265,316
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (55,610)	\$ (204,890)	\$ (78,614)
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$ 2,245,000	\$
Payment to Refunded Bond Escrow Agent		(2,260,377)	
Bond Premium		132,599	
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 117,222	\$ -0-
NET CHANGE IN FUND BALANCE	\$ (55,610)	\$ (87,668)	\$ (78,614)
BEGINNING FUND BALANCE	1,191,103	1,278,771	1,357,385
ENDING FUND BALANCE	\$ 1,135,493	\$ 1,191,103	\$ 1,278,771
TOTAL ACTIVE RETAIL WATER CONNECTIONS	3,295	3,259	3,220
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	3,253	3,217	3,178

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 2,227,728	\$ 2,047,125	98.0 %	97.4 %	97.1 %	97.7 %	98.3 %
34,288	28,411	1.5	1.0	1.6	1.5	1.4
12,486	4,895	0.4	1.4	1.2	0.5	0.2
6,198	1,511	0.1	0.2	0.1	0.3	0.1
<u>\$ 2,280,700</u>	<u>\$ 2,081,942</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 92,724	\$ 90,259	4.5 %	3.9 %	4.0 %	4.1 %	4.3 %
1,525,000	1,235,000	81.3	79.5	77.5	66.9	59.3
514,988	775,022	16.9	20.6	22.0	22.6	37.2
			5.6			
<u>\$ 2,132,712</u>	<u>\$ 2,100,281</u>	<u>102.7 %</u>	<u>109.6 %</u>	<u>103.5 %</u>	<u>93.6 %</u>	<u>100.8 %</u>
<u>\$ 147,988</u>	<u>\$ (18,339)</u>	<u>(2.7) %</u>	<u>(9.6) %</u>	<u>(3.5) %</u>	<u>6.4 %</u>	<u>(0.8) %</u>
\$	\$					
<u>\$ -0-</u>	<u>\$ -0-</u>					
\$ 147,988	\$ (18,339)					
1,209,397	1,227,736					
<u>\$ 1,357,385</u>	<u>\$ 1,209,397</u>					
<u>3,220</u>	<u>3,204</u>					
<u>3,177</u>	<u>3,155</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020

District Mailing Address - Harris County Municipal Utility District No. 24
c/o Strawn & Richardson, PC
1155 Dairy Ashford Road, Suite 875
Houston, TX 77079

District Telephone Number - (713) 864-5466

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>December 31, 2020</u>	Expense Reimbursements for the year ended <u>December 31, 2020</u>	<u>Title</u>
Rick C. Corbin	11/20 11/24 (Elected)	\$ 6,650	\$ 74	President
Peggy A. Winters	11/18 11/22 (Elected)	\$ 4,950	\$ 1,218	Vice President
Marcia Fitzpatrick	11/18 11/22 (Elected)	\$ 4,800	\$ 271	Secretary
Dennis L. Cormier	11/20 11/24 (Elected)	\$ 6,900	\$ 230	Assistant Secretary
Ruben Gonzales, Jr.	11/20 11/24 (Elected)	\$ 3,300	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: December 20, 2018

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 16, 2003. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2020</u>	<u>Title</u>
Strawn & Richardson, PC	06/12/99	\$ 121,413 \$ 7,967	General Counsel/ Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	07/29/92	\$ 22,350	Auditor
ETI Bookkeeping Services	07/03/74	\$ 15,094	Bookkeeper
Eby Engineers, Inc.	03/21/90	\$ 113,152	Engineer
Masterson Advisors LLC	05/02/18	\$ -0-	Financial Advisor
Kenneth Byrd	03/24/03	\$ -0-	Investment Officer
H2O Innovation	02/01/77	\$ 1,861,908	Operator
Christy Taylor	02/04/04	\$ 2,850	Recording Secretary
Equi-Tax Inc.	07/03/74	\$ 50,742	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



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