

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District designated the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations” herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 41422M

RATINGS: Underlying “BBB-” (stable outlook) S&P
Insured “AA” (stable outlook) S&P

See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

\$1,940,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460

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

UNLIMITED TAX ROAD REFUNDING BONDS

SERIES 2021A

Dated: September 1, 2021

Due: April 1 (as shown below)

Interest on the \$1,940,000 Unlimited Tax Road Refunding Bonds, Series 2021A (the “Bonds”) will accrue from September 1, 2021, and will be payable on April 1 and October 1 of each year, commencing April 1, 2022. 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, premium, if any, 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 “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”).



MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$30,000	2022	3.00%	0.30%	\$65,000	2026	3.00%	1.01%
\$65,000	2023	3.00%	0.41%	\$90,000	2027 (b)	2.00%	1.11%
\$65,000	2024	3.00%	0.58%	\$90,000	2028 (b)	2.00%	1.22%
\$65,000	2025	3.00%	0.77%				

\$255,000 2.000% Term Bond Due April 1, 2031 to Yield 1.60% (a) (b) (c)

\$270,000 2.000% Term Bond Due April 1, 2034 to Yield 2.06% (a) (b) (c)

\$205,000 2.000% Term Bond Due April 1, 2036 to Yield 2.17% (a) (b) (c)

\$200,000 2.000% Term Bond Due April 1, 2038 to Yield 2.23% (a) (b) (c)

\$215,000 2.125% Term Bond Due April 1, 2040 to Yield 2.31% (a) (b) (c)

\$325,000 2.250% Term Bond Due April 1, 2043 to Yield 2.40% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2027, are subject to redemption in whole, or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2026, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS – Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 460 (the “District”) to currently refund certain of the District’s Outstanding Bonds (as defined herein) and to pay bond issuance and administrative expenses. See “PLAN OF FINANCING.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Houston, Texas, as Underwriter’s Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about September 14, 2021.

SAMCO CAPITAL

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	1
UNDERWRITING	1
CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12.....	2
MUNICIPAL BOND RATING	3
BOND INSURANCE	3
OFFICIAL STATEMENT SUMMARY	6
DEBT SERVICE REQUIREMENTS	10
INTRODUCTION	11
RISK FACTORS	11
PLAN OF FINANCING	19
UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT WITH THE CITY OF HOUSTON.....	21
THE SYSTEM	22
THE DISTRICT	23
THE DISTRICT’S DEVELOPERS.....	27
MANAGEMENT OF THE DISTRICT	28
DISTRICT DEBT	30
DISTRICT TAX DATA.....	31
TAXING PROCEDURES.....	33
CONSOLIDATION AND DISSOLUTION	37
THE BONDS	37
BOOK-ENTRY-ONLY SYSTEM	41
TAX MATTERS.....	43
LEGAL MATTERS	44
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS	45
VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS	45
OFFICIAL STATEMENT	45
MISCELLANEOUS	46
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT	A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY.....	B

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with 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 registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or 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 their 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. See "OFFICIAL STATEMENT – Updating of Official Statement."

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 any purpose.

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

UNDERWRITING

Award of the Bonds

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a proposal submitted to the District at a price of \$1,927,944.40 which represents the principal amount of the Bonds of \$1,940,000.00 plus a net original issue premium of \$2,300.40 less an Underwriter's discount of \$14,356.00 plus accrued interest on the Bonds from the Dated Date to the date of delivery. Such price produces a net effective interest rate of 2.114712%.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE

UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("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 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 jurisdictions.

CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT," "DISTRICT TAX DATA," and "APPENDIX A" (Audited Financial Statements of the District) of this Official Statement. 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.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12. The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by December 31 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 MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, or 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" in this paragraph in (15) and (16) 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) or (b); 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. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provisions for

debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes this information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material aspects with its previous continuing disclosure agreements in accordance with Rule 15c2-12.

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") has assigned an underlying municipal bond rating of "BBB-" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation as to the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. See "BOND INSURANCE." The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P is expected to assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$477.7 million, \$156.4 million and \$321.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$1,940,000 Unlimited Tax Road Refunding Bonds, Series 2021A (the "Bonds"), are dated September 1, 2021. The Bonds represent the eighth overall series of bonds to be issued by Harris County Municipal Utility District No. 460 (the "District"). The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District; Chapter 8124, Special District Local Laws Code, as amended; City of Houston Ordinance Nos. 97-416 and 2015-738; and an election held within the District on May 13, 2006. See "THE BONDS."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2027, are subject to redemption at the option of the District, prior to maturity, in whole or from time to time in part, on April 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2031, 2034, 2036, 2038, 2040, and 2043 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2029, 2032, 2035, 2037, 2039, and 2041, respectively. See "THE BONDS – Mandatory Redemption."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Book-Entry-Only System:** The 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 "BOOK-ENTRY-ONLY SYSTEM."
- Payment Record:** The District has previously issued four (4) series of unlimited tax bonds, two (2) series of unlimited tax road bonds, and one (1) series of unlimited tax refunding bonds, of which \$24,805,000 principal amount was outstanding as of July 1, 2021 (the "Outstanding Bonds"). Such amount of the Outstanding Bonds includes the District's \$8,460,000 Unlimited Tax Bonds, Series 2021, which are expected to be delivered on August 12, 2021. The District has never defaulted on the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
- Plan of Financing:** Proceeds from the sale of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund certain of the District's Unlimited Tax Road Bonds, Series 2015 in an aggregate principal amount of \$1,810,000 (the "Refunded Bonds") in order to achieve present value savings in the District's annual debt service expense. See "PLAN OF FINANCING."
- Risk Factors:** The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS."
- Qualified Tax Exempt Obligations:** The District designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
- Municipal Bond Rating:** S&P has assigned an underlying municipal bond rating of "BBB-" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."

Bond Insurance:	S&P is expected to assign its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See “BOND INSURANCE,” “MUNICIPAL BOND RATING,” and “APPENDIX B – Specimen Municipal Bond Insurance Policy.”
Bond Counsel:	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”
Paying Agent/Registrar:	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”
Verification Agent:	Robert Thomas CPA, LLC, Minneapolis, Minnesota. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS.”

THE DISTRICT

Description:	The District is a municipal utility district created by an act of the 79 th Texas Legislature effective September 1, 2005, codified at Texas Special District Local Laws Code, Chapter 8124. The District is subject to the jurisdiction of the Texas Commission on Environmental Quality (the “TCEQ”). The District was created pursuant to the authority of Chapters 49 and 54, Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District, as it was originally created, included approximately 129 acres. Since its creation, the District has annexed certain tracts of land and presently includes approximately 642 acres. The District is located entirely within Harris County, Texas, and within the corporate limits of the City of Houston, Texas (the “City”). The District is located in southern Harris County and lies approximately eight (8) miles south of the central business district of the City. The District is comprised of various noncontiguous tracts of land and is generally bounded by Sam Houston Parkway on the south, Cullen Boulevard on the west, Telephone Road on the east, and the South Acres neighborhood on the north. See “THE DISTRICT – Description and Location” and “– Location Map.”
Development of the District:	The District is being developed for single-family residential purposes in various subdivisions within the District’s noncontiguous tracts. As of June 1, 2021, the District, in the aggregate, included approximately 1,449 completed homes, approximately 141 homes under construction, and approximately 198 vacant developed single-family residential lots. Additionally, the District currently has pending annexation requests that have been submitted to the City for four (4) separate tracts of land totaling approximately 44 acres to be developed for single-family residential purposes; such tracts are currently planned for approximately 198 single-family residential lots. The District makes no representation that such annexation will occur, or that the intended development plans will ever be implemented. See “THE DISTRICT – Status of Residential Development” and “– Pending Annexations.”
Summary of Land Uses:	As of June 1, 2021, land development in the District included approximately 302 acres that are served with utilities and have single-family improvements constructed on site, 159 acres that are in the process of being developed with utilities or improved with single-family construction, 106 additional developable acres, and 75 undevelopable acres, which include drainage easements, detention ponds, road rights-of-way, a lift station site, park facilities, and open spaces. See “THE DISTRICT - Land Uses and Status of Land Development
The System:	<p>Pursuant to a Utility Functions and Services Allocation Agreement (the “Utility Agreement”) between the District and the City, water supply and wastewater treatment services for the District’s residents are provided directly from the City. The District does not own or operate the water supply or wastewater treatment facilities serving the land within the District. The Utility Agreement provides for, and includes, the terms and conditions whereby the land within the District will be served by the City’s water supply and wastewater treatment system. The City has previously issued water supply and wastewater treatment commitments (in the Utility Agreement) to provide 2,272 ESFCs to the developments within the District. The City’s water supply and wastewater treatment system that serves the District is sufficient to serve the buildout of the District given currently anticipated development plans.</p> <p>The District’s noncontiguous tracts are located within various watersheds, including Sims Bayou and Clear Creek. The District’s storm drainage collection system consists of curb and gutter streets with inlets and underground reinforced concrete storm sewers and detention basins. The District’s storm drainage collection systems will serve the entire District drainage area and will convey flows to existing drainage channels. See “THE SYSTEM” and “UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT WITH THE CITY OF HOUSTON.”</p>

Utility Agreement:

The District entered into the Utility Agreement with the City on May 7, 2008, and such agreement does not cover the detention facilities serving the District. The District is responsible for maintenance of such detention facilities. The Utility Agreement includes terms and conditions regarding the District's creation and how the land within in the District will be served by the City's water supply and wastewater treatment system. The Utility Agreement will remain in effect until the earlier of 50 years or the dissolution of the District by the City.

The Utility Agreement: (i) describes how the system servicing the District will be constructed; (ii) provides that upon completion and acquisition of the system by the District, that the District will convey the system to the City for operation and maintenance; and (iii) provides that all revenues derived from water and sewer utilities serving the District are revenues of and belong to the City. If additional water and sewer facilities are constructed to serve the District in the undeveloped areas of the District, then such facilities will be transferred to the City in accordance with the Utility Agreement. The Utility Agreement also requires the City to rebate to the District amounts established by the Utility Agreement to avoid double taxation to District residents for water, sewer, and drainage facilities that serve the land within the District, and to compensate the District for certain capital costs that the District has incurred to extend such water and sewer facilities.

The Utility Agreement also provides for the terms of the dissolution of the District by the City and the assumption of the District's obligations (including any bonds outstanding) by the City upon dissolution. See "UTILITY FUNCTIONS AND ALLOCATIONS AGREEMENT WITH THE CITY OF HOUSTON."

The Developers:

The active developers in the District presently include the following entities: Pulte Homes of Texas, L.P. ("Pulte"); Lexington 26, L.P., d.b.a. Colina Homes ("Colina"); Peluda, L.P. ("Peluda"); LGI Homes – Texas, LLC ("LGI"); Almeda-Genoa Houston Development, LLC; KB Home Lone Star, Inc. ("KB"); Meritage Homes of Texas, LLC ("Meritage"); and Allison Circle, Ltd. The active developers are collectively referred to herein as the "Developers." Previous developers in the District have included the following entities: GARC Enterprises, Ltd. ("GARC"); Almeda Crossing FL-1, L.P., a special purpose entity created and wholly owned by United Development Funding L.P. ("UDF"); Camillo Properties, Ltd. ("Camillo"); and El Tesoro Development, Ltd. See "THE DISTRICT'S DEVELOPERS" for a more complete description of the Developers and previous developers in the District.

**Infectious Disease
Outlook (COVID-19):**

The World Health Organization 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. 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. On March 2, 2021, the Governor of Texas issued Executive Order GA-34 whereby the Governor ordered there be no operating limits for any business or other establishment, except in Trauma Service Areas that have had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity exceeds 15 percent, in which case the county judge may order COVID-19 mitigating measures not to include requiring the use of face coverings. Pursuant to Executive Order GA-34, such COVID-19 mitigating measures would remain in effect until such time as the Trauma Service Area has seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity is 15 percent or less.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally. 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 COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available. However, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition. See "RISK FACTORS – Infectious Disease Outlook (COVID-19)."

SELECTED FINANCIAL INFORMATION
(Unaudited)

5/15/2021 Estimated Taxable Value	\$312,600,996	(a)
2021 Preliminary Taxable Value	\$299,833,018	(b)
2020 Certified Taxable Value	\$199,264,837	(c)

Direct Debt:

Remaining Outstanding Bonds	\$22,995,000	(d)
The Bonds	<u>\$1,940,000</u>	
Total Direct Debt	\$24,935,000	

See "DISTRICT DEBT"

Estimated Overlapping Debt	<u>\$6,401,712</u>	(e)
Direct and Estimated Overlapping Debt	\$31,336,712	

Percentage of Direct Debt to:

5/15/2021 Estimated Taxable Value	7.98%
2021 Preliminary Taxable Value	8.32%
2020 Certified Taxable Value	12.51%

See "DISTRICT DEBT"

Percentage of Direct and Estimated Overlapping Debt to:

5/15/2021 Estimated Taxable Value	10.02%
2021 Preliminary Taxable Value	10.45%
2020 Certified Taxable Value	15.73%

See "DISTRICT DEBT"

2020 Tax Rate Per \$100 of Assessed Value:

Debt Service Tax	\$0.25
Road Debt Service Tax	\$0.10
Maintenance and Operations Tax	<u>\$0.39</u>
Total 2020 Tax Rate	\$0.74

Cash and Temporary Investment Balances as of July 14, 2021

General Fund	\$1,043,515	(f)
Debt Service Fund	\$685,433	(g) (h)
Road Debt Service Fund	\$323,641	(g)

-
- (a) Reflects data supplied by the Harris County Appraisal District ("HCAD" or the "Appraisal District"). The Estimated Taxable Value as of May 15, 2021, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. Any value resulting from homebuilding and construction in the District since January 1, 2021, will not be included on the District's tax roll until the January 1, 2022 certified tax roll is prepared during the second half of 2022. The District is authorized by law to only levy taxes against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2021 Preliminary Taxable Value according to data supplied to the District by HCAD. The preliminary values are not binding on HCAD and are provided for informational purposes only; such values are subject to protest and review by the Harris County Appraisal Review Board. The figure above includes HCAD's valuation of the land and improvement values as of January 1, 2021 (\$298,871,082), and includes the District's taxable personal property value as certified on the 2020 tax roll (\$961,936). The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Reflects the January 1, 2020 Certified Taxable Value according to data supplied to the District by HCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (d) Excludes the Refunded Bonds. Includes the District's \$8,460,000 Unlimited Tax Bonds, Series 2021, which are expected to be delivered on August 12, 2021. See "PLAN OF FINANCING – Outstanding Bonds."
- (e) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (f) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (g) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Road Debt Service Fund or the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Adequacy of Tax Revenue" and "THE BONDS – Funds."
- (h) The cash and investment balance in the Debt Service Fund includes 12 months of capitalized interest funded with proceeds of the District's \$8,460,000 Unlimited Tax Bonds, Series 2021, which will be deposited into the Debt Service Fund on August 12, 2021.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds, plus the debt service on the Bonds.

Year	Existing Debt Service Requirements (a)	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Series 2021A Refunding Bonds		Total Debt Service Requirements
			Principal	Interest	
2021	\$808,030	\$34,803			\$773,227
2022	\$1,029,112	\$69,606	\$30,000	\$45,896	\$1,035,402
2023	\$1,127,555	\$118,856	\$65,000	\$40,906	\$1,114,605
2024	\$1,336,399	\$117,356	\$65,000	\$38,956	\$1,322,999
2025	\$1,319,499	\$115,825	\$65,000	\$37,006	\$1,305,680
2026	\$1,324,280	\$114,206	\$65,000	\$35,056	\$1,310,130
2027	\$1,409,205	\$137,056	\$90,000	\$33,181	\$1,395,330
2028	\$1,393,208	\$134,384	\$90,000	\$31,381	\$1,380,205
2029	\$1,426,405	\$131,619	\$85,000	\$29,631	\$1,409,417
2030	\$1,408,780	\$128,806	\$85,000	\$27,931	\$1,392,905
2031	\$1,410,290	\$125,900	\$85,000	\$26,231	\$1,395,621
2032	\$1,440,294	\$122,900	\$85,000	\$24,531	\$1,426,925
2033	\$1,443,842	\$119,900	\$80,000	\$22,881	\$1,426,823
2034	\$1,446,137	\$141,400	\$105,000	\$21,031	\$1,430,768
2035	\$1,472,111	\$137,400	\$105,000	\$18,931	\$1,458,642
2036	\$1,496,305	\$133,400	\$100,000	\$16,881	\$1,479,786
2037	\$1,493,965	\$129,400	\$100,000	\$14,881	\$1,479,446
2038	\$1,460,914	\$125,400	\$100,000	\$12,881	\$1,448,395
2039	\$1,359,015	\$121,400	\$95,000	\$10,872	\$1,343,487
2040	\$1,377,124	\$141,900	\$120,000	\$8,588	\$1,363,812
2041	\$1,417,640	\$136,900	\$115,000	\$6,019	\$1,401,759
2042	\$1,381,734	\$131,900	\$115,000	\$3,431	\$1,368,265
2043	\$1,404,923	<u>\$112,200</u>	<u>\$95,000</u>	<u>\$1,069</u>	\$1,388,792
2044	\$1,038,318				\$1,038,318
2045	\$1,037,318				\$1,037,318
2046	\$839,725				\$839,725
2047	\$840,600				\$840,600
2048	<u>\$490,456</u>				<u>\$490,456</u>
TOTALS	\$35,433,184	\$2,782,517	\$1,940,000	\$508,171	\$35,098,838

(a) Includes annual debt service requirements on the District's \$8,460,000 Unlimited Tax Bonds, Series 2021, which are expected to be delivered on August 12, 2021.

Maximum Annual Debt Service Requirement (2036)	\$1,479,786
\$0.50 tax rate on the May 15, 2021 Estimated Taxable Value of \$312,600,996 at 95% collections produces	\$1,484,855
\$0.52 tax rate on the 2021 Preliminary Taxable Value of \$299,833,018 at 95% collections produces	\$1,481,175
\$0.79 tax rate on the 2020 Certified Taxable Value of \$199,264,837 at 95% collections produces	\$1,495,483

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$1,940,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460

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

UNLIMITED TAX ROAD REFUNDING BONDS

SERIES 2021A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$1,940,000 Harris County Municipal Utility District No. 460 Unlimited Tax Road Refunding Bonds, Series 2021A (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of Harris County Municipal Utility District No. 460 (the "District"); Chapter 8124, Special District Local Laws Code, as amended; City of Houston Ordinance Nos. 97-416 and 2015-738; and an election held within the District on May 13, 2006.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, the District's financial condition, and the developers in the District. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston (the "City"), or any other political subdivision, are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners or that there will be a market for such property.

Infectious Disease Outlook (COVID-19)

The World Health Organization 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. On March 2, 2021, the Governor issued Executive Order GA-34 whereby the Governor ordered there be no operating limits for any business or other establishment, except in Trauma Service Areas that have had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity exceeds 15 percent, in which case the county judge may order COVID-19 mitigating measures not to include requiring the use of face coverings. Pursuant to Executive Order GA-34, such COVID-19 mitigating measures would remain in effect until such time as the Trauma Service Area has seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity is 15 percent or less.

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.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally. 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 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 COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available. However, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by: (a) repetitive, annual, expensive collection procedures; (b) a federal bankruptcy court's stay of tax collection procedures; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such 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. See "TAXING 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 of the Bonds (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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment 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 Texas statutes or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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 obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition 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, a 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 Owners could potentially and adversely impair the value of the Registered Owners' claim.

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

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

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

Economic Factors

The Houston metropolitan area has, in the past, experienced slower or negative job growth, increased unemployment, business failures, and slow absorption of office space during periods of relatively low oil and natural gas prices. Certain of these factors are showing signs of recurring in the Harris County area economy at this time. These factors could affect the demand for new residential home construction and commercial development and, hence, the growth and maintenance of property values. The continued maintenance of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates, at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates can affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The maintenance of values in El Tesoro, Section 1, comprised of 81 homes, substantially all of which are currently held for rental, and Almeda Trace, Sections 1 – 2, a rental community comprised of 113 homes, may be particularly affected by the availability of apartment or other rental properties and the overall health of the Houston economy.

An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home-building plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development on comparable sites within the District.

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

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2020 tax rate of \$0.74 per \$100 of assessed valuation, when combined with the City's tax rate of \$0.56184 per \$100 of assessed valuation, is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Harris County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further construction of residential, or commercial projects within the District other than those that have been constructed, the value of such land and improvements within the District could be a major determinant of the ability of the District to collect and the willingness of property owners to pay ad valorem taxes levied by the District. After issuance of the Bonds, the District's Maximum Annual Debt Service Requirement will be \$1,479,786 (2036). The May 15, 2021 Estimated Taxable Valuation of property within the District is \$312,600,996. Assuming no increase or decrease in the May 15, 2021 Estimated Taxable Valuation and no use of other District funds, a combined debt service tax rate and road debt service tax rate of \$0.50 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 2021 Preliminary Taxable Valuation of property within the District is \$299,833,018. Assuming no increase or decrease in the 2021 Preliminary Taxable Valuation and no use of other District funds, a combined debt service tax rate and road debt service tax rate of \$0.52 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 2020 Certified Taxable Valuation of property within the District is \$199,264,837. Assuming no increase or decrease in the 2020 Certified Taxable Valuation and no use of other District funds, a combined debt service tax rate and road debt service tax rate of \$0.79 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

Landowners/Developer Under No Obligation to the District

The Developers have informed the District of their current plans to continue to develop land in the District for residential purposes. However, neither the Developers nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developers') to sell its land. Failure to construct taxable improvements on developed lots (currently existing or anticipated to be created by the Developers) or own commercial tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Future Debt

The District's voters have authorized the issuance of a total of \$77,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities and \$115,500,000 of unlimited tax bonds for the purpose of refunding water, sewer, and drainage bonds previously issued; \$48,000,000 of unlimited tax bonds for the purposes of providing road facilities and \$72,000,000 of unlimited tax bonds for the purpose of refunding road bonds previously issued; and \$7,000,000 of unlimited tax bonds for the purposes of providing park and recreational facilities and additions thereto. The District could authorize additional amounts in the future. Following the issuance of the Bonds, \$59,635,000 of unlimited tax bonds for water, sewer and drainage facilities and \$115,350,000 of unlimited tax bonds for refunding water, sewer, and drainage bonds; \$39,895,000 of unlimited tax bonds for road facilities and \$71,870,000 of unlimited tax bonds for refunding road bonds; and \$7,000,000 of unlimited tax bonds for park and recreational facilities will remain authorized, but unissued. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

Generally, the Board of Directors has indicated that new money bonds will be issued in amounts and in timeframes depending upon: (i) the rate of growth of taxable improvements in the District, and (ii) the District's ability to maintain the total tax rate at approximately \$0.74 per \$100 of assessed valuation.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) 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 District has authorized \$7,000,000 of park bonds at an election held on May 13, 2006.

The current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

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

Environmental and Air Quality Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the 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 Phase I Municipal Separate Storm Sewer 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 and implement 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; (k) waste treatment systems; and (l) all other waters or features not included in the definition of "waters of the United States." The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

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

Changes in Tax Legislation

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

2021 Legislative Session

The 87th Regular Legislative Session convened on January 12, 2021, and concluded on May 31, 2021. The Governor of Texas has called for a special legislative session on July 8, 2021, and the Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Bond Insurance Risk Factors

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

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured

by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "BOND INSURANCE" herein.

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

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

Severe Weather

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flooding – 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) Flooding – 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.

Hurricane Harvey

The Houston area, including the area in and around the District in Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's engineer, the District's System did not sustain any significant damage from Hurricane Harvey and there was no interruption of water and sewer service provided by the City during or after the storm. According to the District's Developers, no homes within the District experienced flooding or other significant damage.

Temporary Tax Exemption for Property Damaged by Disaster

The Texas Tax Code (hereinafter defined) 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 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 Tax Code range from 15% for property which is 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. See "TAXING PROCEDURES."

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

Harris County and City of Houston Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County and the City adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018, and the new and amended City regulations took effect on September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City floodplain regulations govern construction projects in the corporate jurisdiction of the City and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended regulations of the City.

The new and amended Harris County and City regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Atlas 14

The new and amended Harris County and City regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City's corporate limits and extraterritorial jurisdiction. 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.

PLAN OF FINANCING

Purpose

The Bonds are being issued to currently refund \$1,810,000 principal amount of the District's Unlimited Tax Road Bonds, Series 2015 (the "Refunded Bonds"). Bond proceeds will also be used to pay bond issuance and administrative expenses. The refunding is being implemented in order to produce present value savings in the District's annual debt service expense.

The District's currently Outstanding Bonds excluding the Refunded Bonds (the "Remaining Outstanding Bonds") totaling \$22,995,000 will remain outstanding after the issuance of the Bonds and the refunding of the Refunded Bonds. All of the Refunded Bonds, which are scheduled to mature in various amounts on April 1 in the years 2023 through 2043, will be redeemed at par in advance of their respective maturities on September 14, 2021.

Outstanding Bonds

The table below summarizes the District's previously issued series of bonds, including the District's \$8,460,000 Unlimited Tax Bonds, Series 2021, which are expected to be delivered on August 12, 2021.

Original Principal Amount	Series	Principal Amount Outstanding	Principal Amount Outstanding After the Bonds
\$2,250,000	Unlimited Tax Bonds, Series 2011	\$0	\$0
\$2,060,000	Unlimited Tax Road Bonds, Series 2015	\$1,860,000	\$50,000
\$3,475,000	Unlimited Tax Bonds, Series 2018	\$3,375,000	\$3,375,000
\$2,180,000	Unlimited Tax Refunding Bonds, Series 2018A	\$1,940,000	\$1,940,000
\$3,180,000	Unlimited Tax Bonds, Series 2019	\$3,125,000	\$3,125,000
\$6,045,000	Unlimited Tax Road Bonds, Series 2020	\$6,045,000	\$6,045,000
\$8,460,000	Unlimited Tax Bonds, Series 2021	\$8,460,000	\$8,460,000
\$27,650,000		\$24,805,000	\$22,995,000

Refunded Bonds

Proceeds of the Bonds will be applied to currently refund \$1,810,000 in principal amount of the Refunded Bonds. The principal amounts and maturity dates of the Refunded Bonds to be refunded are set out in the table below, all with maturity dates of April 1 in the years shown. The Refunded Bonds will be called for redemption on September 14, 2021.

Series 2015 Road Bonds	
<u>Years</u>	<u>Principal Amount</u>
2021	-
2022	-
2023	\$50,000
2024	\$50,000
2025	\$50,000
2026	\$50,000
2027	\$75,000
2028	\$75,000
2029	\$75,000
2030	\$75,000
2031	\$75,000
2032	\$75,000
2033	\$75,000
2034	\$100,000
2035	\$100,000 (a)
2036	\$100,000
2037	\$100,000
2038	\$100,000
2039	\$100,000 (b)
2040	\$125,000
2041	\$125,000
2042	\$125,000
2043	\$110,000 (c)
	\$1,810,000

- (a) Represents the \$275,000 Term Bond with mandatory sinking fund provisions beginning in 2033 through and including the 2035 maturity.
- (b) Represents the \$400,000 Term Bond with mandatory sinking fund provisions beginning in 2036 through and including the 2039 maturity.
- (c) Represents the \$485,000 Term Bond with mandatory sinking fund provisions beginning in 2040 through and including the 2043 maturity.

Defeasance of the Refunded Bonds

By the deposit of cash with the paying agent for the Refunded Bonds, Zions Bancorporation, National Association, Amegy Bank division (formerly known as Amegy Bank National Association), the District will have affected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such a deposit, and in reliance upon the verification report of Robert Thomas CPA, LLC, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$1,940,000.00
Plus Net Original Issue Premium	\$2,300.40
Plus Accrued Interest	\$1,544.88
Plus District Cash	\$2,000.00
Total Sources of Funds	\$1,945,845.28
Uses of Funds:	
Deposit to Refund Bonds	\$1,841,516.16
Issuance Expenses (a)	\$88,428.24
Underwriter's Discount	\$14,356.00
Accrued Interest	\$1,544.88
Total Uses of Funds	\$1,945,845.28

(a) Includes municipal bond insurance premium.

UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT WITH THE CITY OF HOUSTON

The District operates pursuant to a Utility Functions and Services Allocation Agreement dated May 7, 2008 (the "Utility Agreement") between the City and the District. Pursuant to the Utility Agreement: (1) the City consented to the creation of the District within the corporate limits of the City; (2) the District assumes responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to the City: (a) the water distribution, (b) wastewater collection, and (c) drainage facilities to serve development occurring within the boundaries of the District (the "Facilities"); and (3) the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City. The District will retain ownership of detention facilities unless a conveyance to the City of such facilities is agreed to separately.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District is authorized to issue bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds. Such order must provide that, under the TCEQ's rules governing the issuance of bonds, it is feasible to sell the bonds. The Utility Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The Utility Agreement also requires the City to rebate to the District amounts established by the Utility Agreement to avoid double taxation to District residents for water, sewer, and drainage facilities that serve the land within the District, and to compensate the District for certain capital costs that the District has incurred to extend such water and sewer facilities.

The Utility Agreement also provides that the City, as provided by the laws of the State of Texas and the City's ordinance consenting to the creation of the District, has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations (including any bonds outstanding). The Utility Agreement will remain in effect until the earlier of 50 years or the dissolution of the District by the City.

THE SYSTEM

Regulation

According to the District's engineer, LJA Engineering, Inc. (the "Engineer"), the District's water distribution, wastewater collection, and drainage facilities (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and the City. According to the Engineer, the design and construction of all such facilities has been approved and inspected by the City.

Operation of the District's water supply and wastewater treatment facilities is provided by the City, and is subject to regulation by, among others, the EPA and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water System

Pursuant to the Utility Agreement, water supply for customers in the District is provided by the City. The District's source of water is surface water and groundwater owned and operated by the City. Treated potable water is delivered to the District through a network of water distribution lines owned and maintained by the City. The City has previously issued water supply commitments (in the Utility Agreement) to provide 2,272 ESFCs to the developments within the District. The City's water supply system that serves the District is sufficient to serve the buildout of the District given currently anticipated development plans.

Wastewater System

Pursuant to the Utility Agreement, the City has agreed to provide capacity for the ultimate wastewater discharge of the District. Wastewater treatment for customers in the District is currently provided by the City's Chocolate Bayou Wastewater Treatment Plant. The City has previously issued wastewater capacity commitments (in the Utility Agreement) to provide 2,272 ESFCs to the developments within the District. The City's wastewater treatment system that serves the District has sufficient capacity to serve the buildout of the District given currently anticipated development plans.

Drainage and Detention System

The underground storm drainage collection system serving all of the developed sections of the District is complete. See "THE DISTRICT – Status of Residential Development." The District's storm drainage collection system consists of curb and gutter streets with inlets and underground reinforced concrete storm sewers and detention basins. The District's storm drainage collection systems will serve the entire District drainage area and will convey flows to existing drainage channels. Additionally, the District's drainage system currently includes collection systems, detention facilities, and drainage channels that carry water to Sims Bayou or detention facilities and drainage channels that outfall directly into Clear Creek.

The El Tesoro subdivision is located in the Sims Bayou watershed and the natural course of drainage flows to the north by way of overland sheet flow and roadside ditches to Sims Bayou. The South Meadow Place and Southridge Crossing subdivisions are located in the Clear Creek watershed and the natural course of drainage flows to the south by way of overland sheet flow, roadside ditches, and storm sewers to a detention basin located in the Southridge Crossing subdivision before discharging to a culvert that outfalls into Clear Creek. The Almeda Trace, Almeda Crossing, and Maple Village subdivisions are located in the Sims Bayou watershed, each subdivision contains its own detention, and the natural course of drainage flows to the east by way of overland sheet flow, roadside ditches, and storm sewers to a Sims Bayou tributary ditch. The Forbes Crossing subdivision is located in the Sims Bayou watershed, contains its own detention and the natural course of drainage flows to the west by way of overland sheet flow, roadside ditches, and storm sewers to a Sims Bayou tributary ditch.

General Fund Operating History

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. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	Fiscal Year Ended June 30 (a)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GENERAL FUND					
REVENUES					
Property taxes	\$658,158	\$385,348	\$277,047	\$194,127	\$61,281
Investment Revenues	\$44,976	\$6,100	\$1,075	\$546	\$584
TOTAL REVENUES	<u>\$703,134</u>	<u>\$391,448</u>	<u>\$278,122</u>	<u>\$194,673</u>	<u>\$61,865</u>
EXPENDITURES					
Professional Fees	\$171,084	\$163,830	\$148,095	\$144,039	\$68,346
Contracted Services	\$87,444	\$9,694	\$7,855	\$7,766	\$7,785
Utilities	\$200	-	-	-	-
Repairs and Maintenance	\$100,129	\$116,860	\$51,010	\$55,179	\$11,079
Other	\$12,234	\$13,178	\$12,229	\$11,681	\$10,388
Capital Outlay	\$47,649	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	<u>\$418,740</u>	<u>\$303,562</u>	<u>\$219,189</u>	<u>\$218,665</u>	<u>\$97,598</u>
EXCESS (DEFICIENCY)	\$284,394	\$87,886	\$58,933	(\$23,992)	(\$35,733)
Other Financing Sources					
Transfers In (Out)	-	\$80,055	\$16,975	\$0	\$0
NET CHANGE IN FUND BALANCE	\$284,394	\$167,941	\$75,908	(\$23,992)	(\$35,733)
BEGINNING FUND BALANCE	\$400,280	\$232,339	\$156,431	\$180,423	\$216,156
ENDING FUND BALANCE (b)	<u>\$684,674</u>	<u>\$400,280</u>	<u>\$232,339</u>	<u>\$156,431</u>	<u>\$180,423</u>

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of July 14, 2021, the District's General Fund had an unaudited cash and investment balance of approximately \$1,043,515. For the fiscal year ended June 30, 2021, the District's General Fund experienced unaudited revenues of approximately \$773,330 and unaudited expenditures of approximately \$350,161. For the fiscal year ending June 30, 2022, the District's General Fund is currently budgeting revenues of \$852,960 and expenditures of \$612,087.

THE DISTRICT

Authority

The District is a municipal utility district created by an act of the 79th Legislature, Regular Session Senate Bill 1884, effective September 1, 2005 (codified at Chapter 8124, Texas Special District Local Laws Code), in accordance with Article XVI, Section 59 of the Texas Constitution, confirmed at an election held on May 13, 2006, and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended, and Article III, Section 52 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, and facilities necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District has certain road powers and, under certain limited circumstances, the District is also authorized to construct, develop, and maintain park and recreational facilities.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City, within whose corporate limits the District lies, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 129 acres. Since its creation, the District has annexed certain tracts of land and presently includes approximately 642 acres. The District is located entirely within Harris County, Texas, and within the corporate limits of the City. The District is located in southern Harris County and lies approximately eight (8) miles south of the central business district of the City. The District is comprised of various noncontiguous tracts of land and is generally bounded by Sam Houston Parkway on the south, Cullen Boulevard on the west, Telephone Road on the east, and the South Acres neighborhood on the north.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of June 1, 2021, appears in the table below:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed and Improved Acres	302	(a)
Acres Under Development	159	(b)
Remaining Developable Acres	106	(c)
Undevelopable Acres	<u>75</u>	(d)
Total Approximate Acres	642	

(a)	Represents land that is served with utilities and has single-family improvements constructed on site.
(b)	Represents land that is in the process of being developed with utilities or improved with single-family construction.
(c)	Represents land available for future development; such acreage includes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken.
(d)	Includes drainage easements, detention ponds, road rights-of-way, a lift station site, park facilities, and open spaces.

Status of Residential Development

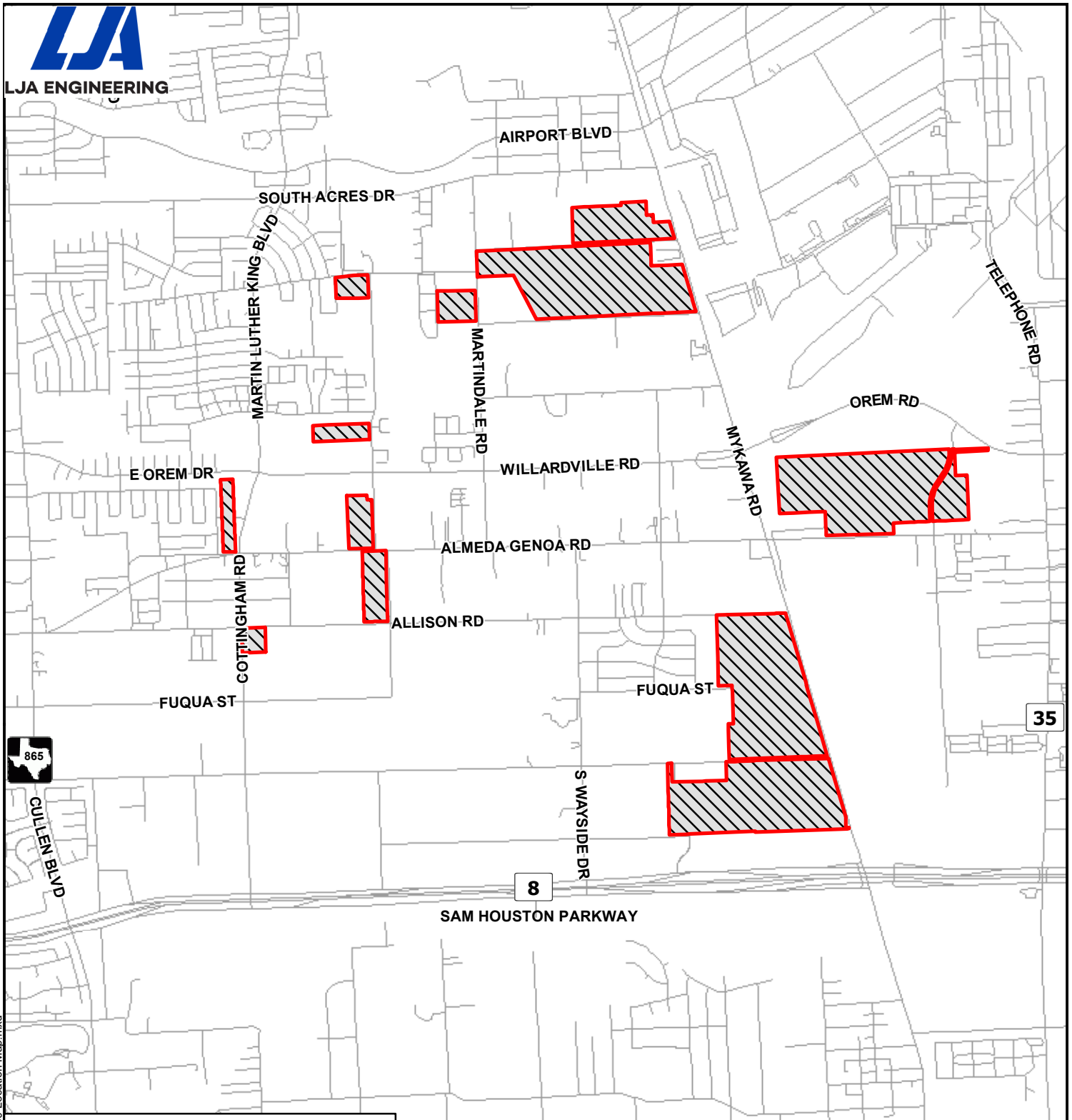
The approximate status of single-family residential development in the District as of June 1, 2021, is summarized in the table below:

<u>Subdivision/Section</u>	<u>Acres</u>	<u>Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Completed</u>	<u>Under Construction</u>	
Southridge Crossing, Sections 1 – 7 (a)	104	534	534	0	0
Almeda Crossing (b)	8	58	58	0	0
Almeda Trace, Sections 1 – 2 (c)	16	113	113	0	0
El Tesoro, Section 1 (d)	15	81	81	0	0
El Tesoro, Sections 2 – 3 (e)	30	217	213	0	4
Forbes Crossing, Section 1 (f)	19	95	95	0	0
Forbes Crossing, Section 2 (f)	22	105	105	0	0
Forbes Crossing, Section 3 (f)	21	123	0	17	106
South Meadow Place, Section 1 (g)	17	93	92	0	1
South Meadow Place, Section 2 (g)	11	86	86	0	0
South Meadow Place, Section 3 (g)	16	133	0	104	29
Maple Village (h)	12	85	72	13	0
Martindale Dreams (i)	11	65	0	7	58
Acreage Under Development (j)	159	-	-	-	-
Remaining Developable Acreage (k)	106	-	-	-	-
Undevelopable Acreage (k)	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	642	1,788	1,449	141	198

- (a) The lots in Sections 1 and 2 were developed by GARC and the lots in Sections 3 and 4 were developed by Pulte. Homes in Sections 1 – 4 were built by various homebuilders, including Carlisle Homes, Hampton Homes, Banway Homes, GreenEco Builders, and Pulte and were marketed in the \$145,000 - \$220,000 price range. The lots in Sections 5 – 7 were developed by Pulte. Pulte was the sole homebuilder in Sections 5 – 7 and homes were marketed in the \$160,000 - \$245,000 price range.
- (b) The lots in Almeda Crossing were developed by a special purpose entity established by UDF. Homes were constructed by Colina and were marketed in the \$155,000 - \$195,000 price range.
- (c) The lots and homes in Almeda Trace, Sections 1 – 2 were developed and constructed by Camillo Properties. The development is a rental home community.
- (d) The homes in El Tesoro, Section 1 were constructed by Camillo and Woodcreek. Substantially all of the homes are currently being rented subject to annual rental agreements.
- (e) The lots in El Tesoro, Sections 2 – 3 were developed by Peluda and homes in both sections are being constructed by LGI Homes. Homes in El Tesoro, Sections 2 – 3 have been marketed and sold in the \$175,000 - \$225,000 price range.
- (f) The lots and homes in Forbes Crossing, Sections 1 – 3 were developed by Pulte and Pulte is the sole homebuilder. Homes are being marketed in the \$205,000 - \$225,000 price range.
- (g) The lots and homes in South Meadow Place, Sections 1 – 3 were developed by Colina and Colina is the sole homebuilder. Homes have been and are being marketed and sold in the \$165,000 - \$250,000 price range.
- (h) The lots in Maple Village were developed by Almeda-Genoa Houston Development, LLC. Homes are being constructed by Colina and are being marketed with an average sales price of approximately \$220,000.
- (i) The lots and homes in the Martindale Dreams subdivision were developed by KB and KB is the sole homebuilder. Homes are being marketed in the \$220,000 - \$255,000 price range.
- (j) Represents the approximate acreage that is currently being developed with utilities, but lots have yet to be delivered to homebuilders.
- (k) See "Land Uses and Status of Land Development" herein.

Pending Annexations

The District currently has pending annexation requests that have been submitted to the City for four (4) separate tracts of land totaling approximately 44 acres to be developed for single-family residential purposes. Collectively, the four (4) tracts are planned for approximately 198 single-family residential lots based on current land plans. The District makes no representation that such annexation will occur, or that the intended development plans will ever be implemented.

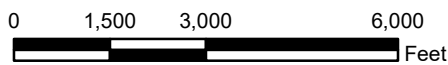


HARRIS COUNTY MUD 460

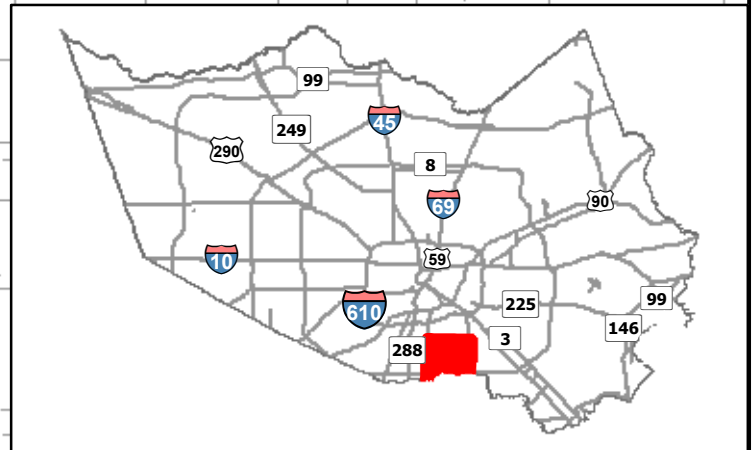
FEBRUARY 2021



HCMUD 460



THIS EXHIBIT IS INTENDED FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TO BE USED FOR DESIGN OR CONSTRUCTION



THE DISTRICT'S DEVELOPERS

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the utilities and streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater and drainage facilities pursuant to the rules of TCEQ, as well as gas, telephone and electric service), and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater and drainage facilities in the utility district exclusive of water and sewage treatment plants, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developers in the District

The active developers in the District presently include the following entities: Pulte Homes of Texas, L.P. ("Pulte"); Lexington 26, L.P., d.b.a. Colina Homes ("Colina"); Peluda, L.P. ("Peluda"); LGI Homes – Texas, LLC ("LGI"); Almeda-Genoa Houston Development, LLC; KB Home Lone Star, Inc. ("KB"); Meritage Homes of Texas, LLC ("Meritage"); and Allison Circle, Ltd. The active developers are collectively referred to herein as the "Developers." Previous developers in the District have included the following entities: GARC Enterprises, Ltd. ("GARC"); Almeda Crossing FL-1, L.P., a special purpose entity created and wholly owned by United Development Funding L.P. ("UDF"); Camillo Properties, Ltd. ("Camillo"); and El Tesoro Development, Ltd.

Active Developers

Pulte is a Texas limited partnership whose sole general partner is PulteGroup, Inc., a Michigan corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "PHM". Pulte has developed 323 lots on approximately 62 acres known as Forbes Crossing, Sections 1 – 3. Additionally, Pulte is in the process of developing 119 lots on approximately 31 acres known as Forbes Crossing, Section 4. Pulte is the sole homebuilder in the Forbes Crossing subdivision. Homes in Forbes Crossing, Section 1 – 3 have been marketed in the \$205,000 - \$225,000 price range. The lots in Forbes Crossing, Section 4 are presently anticipated to be available for homebuilding during the third quarter of 2021. The Forbes Crossing subdivision includes additional developable acres that may someday be developed into approximately 128 single-family lots based on current land plans.

Lexington 26, L.P., d.b.a. Colina Homes ("Colina"), is a special purpose entity established for the purpose of developing approximately 61 acres in the District known as the South Meadow Place subdivision. Colina has contracted with Starplex Land Resources, LLC, to act as the fee developer for the development of the lots in South Meadow Place. Colina has developed 312 lots on approximately 44 acres known as South Meadow Place, Sections 1 – 3. Colina is the sole homebuilder in the South Meadow Place subdivision. Homes in South Meadow Place, Sections 1 – 3 have been and are being marketed and sold in the \$165,000 - \$250,000 price range. Colina has commenced the development of approximately 17 acres in the South Meadow Place subdivision to be known as South Meadow Place, Section 4, which is expected to contain 70 lots. The lots in South Meadow Place, Section 4 are anticipated to be available for homebuilding during the fourth quarter of 2021.

Peluda, a special purpose entity established for the purpose of developing approximately 197 acres of land in the District into the El Tesoro subdivision (except for El Tesoro, Section 1), has developed 217 lots on approximately 30 acres known as El Tesoro, Sections 2 – 3. Homes in El Tesoro, Sections 2 – 3 are being constructed by LGI. On July 27, 2020, Peluda sold the balance of its land holdings to LGI, which represented approximately 167 acres to be developed by LGI as the Park Vista at El Tesoro subdivision.

As noted above, LGI bought the balance of Peluda's land holdings on July 27, 2020, which represented approximately 167 acres to be developed by LGI as the Park Vista at El Tesoro subdivision. LGI is a special purpose entity created solely for the purpose of developing land in projects located in the Texas market. LGI is a Texas limited partnership whose sole general partner is LGI Homes – Group, LLC. LGI Homes – Group, LLC is a Texas limited partnership whose sole general partner is LGI Homes, Inc., a Delaware corporation, the stock of which is publicly traded on the NASDAQ Global Select Market under the ticker symbol "LGIH". LGI has commenced the development of approximately 26 acres to be known as Park Vista at El Tesoro, Section 1, which is expected to contain 108 lots. The lots in Park Vista at El Tesoro, Section 1 are anticipated to be available for homebuilding during the fourth quarter of 2021. Park Vista at El Tesoro includes an additional approximately 141 acres that may someday be developed into approximately 506 single-family lots based on current land plans.

Almeda-Genoa Houston Development, LLC is a special purpose entity established for the purpose of developing approximately 14 acres of land in the District into the Maple Village subdivision. Almeda-Genoa Houston Development, LLC has developed its land holdings into 85 single-family lots. Colina is the sole homebuilder in the Maple Village subdivision and is currently marketing and selling homes with an average sales price of \$220,000.

KB, an indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH", has completed the development of approximately 13 acres of land in the District into 65 single-family lots known as the Martindale Dreams subdivision. KB is the sole homebuilder in the Martindale Dreams subdivision and is currently marketing homes in the \$220,000 - \$255,000 price range.

Meritage, a Texas limited liability company and a subsidiary of Meritage Homes Corporation, a Maryland corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "MTH", has commenced the development of approximately 10 acres of land in the District into Kingdom Come Place, Section 1. Kingdom Come Place, Section 1 is expected to contain 60 single-family lots, which are anticipated to be available for homebuilding during the third quarter of 2021. Meritage will be the sole homebuilder in Kingdom Come Place, Section 1 and anticipates that homes will be marketed with an average sales price of approximately \$230,000. Meritage has additional land holdings in the District, including an approximately 20-acre tract to be known as the Emerald Meadows subdivision and an approximately 8-acre tract to be known as the Pestova subdivision. According to Meritage, land development of the Emerald Meadows subdivision is expected to commence during the third quarter of 2021. No specific development plans for the Pestova subdivision exist at this time.

Allison Circle, Ltd. is a special purpose entity established for the purpose of developing approximately six (6) acres of land in the District into the Allison Circle subdivision. Allison Circle, Ltd. has commenced the development of its land holdings into 26 single-family lots, which are anticipated to be available for homebuilding during the third quarter of 2021 and improved with 52 duplex units. Allison Circle, Ltd. intends to contract with a general contractor for homebuilding services and retain ownership of such duplexes as rental properties.

Previous Developers

GARC was one of the original developers in approximately 129 acres of land located in the District. GARC developed approximately 51 acres known as Southridge Crossing, Sections 1 – 2, containing 210 lots. In 2014, GARC sold its remaining vacant developed lots and acreage to Pulte. Since that time, Pulte has built out the lots in Sections 1 – 7, which includes approximately 534 homes.

Almeda Crossing FL-1, L.P. ("Almeda") is a special purpose entity set up by UDF for the purpose of developing approximately 8 acres into 58 lots known as Almeda Crossing. All of the 58 lots have been built-out. Homes in this section were constructed by Colina Homes and marketed in the \$155,000 - \$195,000 price range.

Camillo was the developer of the Almeda Trace subdivision. The Almeda Trace subdivision consists of two sections totaling approximately 16 acres and is subdivided into 113 lots. The land development work in both sections was completed during 2016 and all of the homes were constructed and ready for occupancy by July, 2017. The homes in Almeda Trace were constructed by Camillo. All of such homes are rented to tenants who have annual rental agreements. See "RISK FACTORS – Economic Factors."

El Tesoro was one of the original developers of approximately 14.6 acres of land known as El Tesoro, Section 1, which consists of 81 lots. Of the 81 lots in El Tesoro, Section 1, 75 lots were sold to Camillo and the remaining 6 lots were sold to Woodcreek Builders ("Woodcreek"). All of the 81 lots have been built-out. Substantially all of such homes are rented to tenants who have annual rental agreements. See "RISK FACTORS – Economic Factors."

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all of the affairs of the District. Each of the directors owns a parcel of land in the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Donald Wayne Middleton	President	2022
Cherrise Traylor	Vice President	2022
Evan Hughes	Secretary	2024
John A. Gonzales	Assistant Secretary	2024
Jonathan J. Gonzalez	Assistant Secretary	2022

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, bookkeeping, tax assessing and collecting services, and annual auditing of its books as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Utility Tax Service, LLC, who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with L&S District Services, LLC for bookkeeping services.

Auditor – The District's annual financial statements as of and for the year ended June 30, 2020, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2020, audited financial statements.

Utility System Operator – The operator for the Facilities serving the District is the City of Houston.

Engineer – The consulting engineer for the District is LJA Engineering, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered.

Bond Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT DEBT

5/15/2021 Estimated Taxable Value	\$312,600,996	(a)
2021 Preliminary Taxable Value	\$299,833,018	(b)
2020 Certified Taxable Value	\$199,264,837	(c)

Direct Debt:

Remaining Outstanding Bonds	\$22,995,000	(d)
The Bonds	<u>\$1,940,000</u>	
Total Direct Debt	\$24,935,000	

Estimated Overlapping Debt	<u>\$6,401,712</u>	(e)
Direct and Estimated Overlapping Debt	\$31,336,712	

Percentage of Direct Debt to:

5/15/2021 Estimated Taxable Value	7.98%
2021 Preliminary Taxable Value	8.32%
2020 Certified Taxable Value	12.51%

Percentage of Direct and Estimated Overlapping Debt to:

5/15/2021 Estimated Taxable Value	10.02%
2021 Preliminary Taxable Value	10.45%
2020 Certified Taxable Value	15.73%

2020 Tax Rate Per \$100 of Assessed Value:

Debt Service Tax	\$0.25
Road Debt Service Tax	\$0.10
Maintenance and Operations Tax	<u>\$0.39</u>
Total 2020 Tax Rate	\$0.74

Cash and Temporary Investment Balances as of July 14, 2021

General Fund	\$1,043,515	(f)
Debt Service Fund	\$685,433	(g) (h)
Road Debt Service Fund	\$323,641	(g)

-
- (a) Reflects data supplied by HCAD. The Estimated Taxable Value as of May 15, 2021, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. Any value resulting from homebuilding and construction in the District since January 1, 2021, will not be included on the District's tax roll until the January 1, 2022 certified tax roll is prepared during the second half of 2022. The District is authorized by law to only levy taxes against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2021 Preliminary Taxable Value according to data supplied to the District by HCAD. The preliminary values are not binding on HCAD and are provided for informational purposes only; such values are subject to protest and review by the Harris County Appraisal Review Board. The figure above includes HCAD's valuation of the land and improvement values as of January 1, 2021 (\$298,871,082), and includes the District's taxable personal property value as certified on the 2020 tax roll (\$961,936). The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Reflects the January 1, 2020 Certified Taxable Value according to data supplied to the District by HCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (d) Excludes the Refunded Bonds. Includes the District's \$8,460,000 Unlimited Tax Bonds, Series 2021, which are expected to be delivered on August 12, 2021. See "PLAN OF FINANCING – Outstanding Bonds."
- (e) See "Estimated Overlapping Debt" herein.
- (f) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (g) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Road Debt Service Fund or the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Adequacy of Tax Revenue" and "THE BONDS – Funds."
- (h) The cash and investment balance in the Debt Service Fund includes 12 months of capitalized interest funded with proceeds of the District's \$8,460,000 Unlimited Tax Bonds, Series 2021, which will be deposited into the Debt Service Fund on August 12, 2021.

Estimated Overlapping Debt

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 the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. 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.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Houston Independent School District	\$2,615,690,000	0.10%	\$2,626,373
Harris County	\$1,293,922,125	0.04%	\$510,141
Harris County Flood Control District	\$334,270,000	0.04%	\$134,411
Port of Houston Authority	\$492,439,397	0.04%	\$199,403
Harris County Hospital District	\$81,540,000	0.04%	\$32,769
Harris County Department of Education	\$20,185,000	0.04%	\$7,882
Houston Community College System	\$492,485,000	0.09%	\$432,227
City of Houston	\$3,209,025,000	0.08%	\$2,458,507
Total Estimated Overlapping Debt			\$6,401,712
The District (a)			<u>\$24,935,000</u>
Total Direct and Estimated Overlapping Debt			\$31,336,712

(a) Includes the Bonds and the District's \$8,460,000 Unlimited Tax Bonds, Series 2021 (to be delivered on August 12, 2021); excludes the Refunded Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experienced in the District for the years 2016 through 2020. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation (a)</u>	<u>Tax Rate (b)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (c)</u>	<u>Tax Year Ended September 30</u>
2020	\$199,264,837	\$0.74	\$1,474,560	99%	2021
2019	\$150,800,131	\$0.74	\$1,115,921	99%	2020
2018	\$121,573,610	\$0.74	\$899,645	99%	2019
2017	\$86,972,142	\$0.74	\$643,594	99%	2018
2016	\$68,022,876	\$0.74	\$503,369	99%	2017

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of June 30, 2021.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at elections held on May 13, 2006. The District levied a maintenance and operations tax for the 2020 tax year at a rate of \$0.39 per \$100 of assessed valuation. See "– Tax Rate Distribution" herein.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2016 through 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.25	\$0.15	\$0.33	\$0.30	\$0.25
Road Debt Service	\$0.10	\$0.15	\$0.09	\$0.14	\$0.18
Maintenance/Operation	<u>\$0.39</u>	<u>\$0.44</u>	<u>\$0.32</u>	<u>\$0.30</u>	<u>\$0.31</u>
Total	\$0.74	\$0.74	\$0.74	\$0.74	\$0.74

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2020 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Camillo Houses CV 1 LLC (a)	Land & Improvements	\$11,983,600	6.01%
LGI Homes Texas LLC (a)	Land & Improvements	\$4,247,615	2.13%
Pulte Homes of Texas LP (a)	Land & Improvements	\$3,366,356	1.69%
SRP Sub LLC	Land & Improvements	\$3,003,537	1.51%
Lexington 26 LP (a)	Land & Improvements	\$2,741,338	1.38%
Camillo B Houses No 1 LLC (a)	Land & Improvements	\$1,240,200	0.62%
Centerpoint Energy Hou Ele	Personal Property	\$775,830	0.39%
BPJ Investments Ltd	Land & Improvements	\$597,074	0.30%
Glams Holdings LLC	Land & Improvements	\$487,303	0.24%
Homeowner	Land & Improvements	\$418,424	0.21%
TOTALS		\$28,861,277	14.48%

(a) See "THE DISTRICT'S DEVELOPERS."

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the exemptions for 2016 through 2020 and includes the January 1, 2021 Preliminary Taxable Value and the May 15, 2021 Estimated Taxable Value.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
5/15/2021						\$312,600,996 (a)
2021	\$67,091,399	\$235,323,690	\$961,936	\$303,377,025	\$3,544,007	\$299,833,018 (b)
2020	\$45,463,747	\$155,770,954	\$1,207,224	\$202,441,925	\$3,177,088	\$199,264,837
2019	\$36,408,838	\$115,479,452	\$996,984	\$152,885,274	\$2,085,143	\$150,800,131
2018	\$32,715,813	\$90,004,504	\$692,677	\$123,412,994	\$1,839,384	\$121,573,610
2017	\$27,712,038	\$59,631,598	\$559,199	\$87,902,835	\$930,693	\$86,972,142
2016	\$20,750,783	\$47,446,642	\$438,624	\$68,636,049	\$613,173	\$68,022,876

(a) Reflects data supplied by HCAD. The Estimated Taxable Value as of May 15, 2021, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to only levy taxes against certified values. See "TAXING PROCEDURES."

(b) Reflects the January 1, 2021 Preliminary Taxable Value according to data supplied to the District by HCAD. The preliminary values are not binding on HCAD and are provided for informational purposes only; such values are subject to protest and review by the Harris County Appraisal Review Board. The figure above includes HCAD's valuation of the land and improvement values as of January 1, 2021 (\$298,871,082), and includes the District's taxable personal property value as certified on the 2020 tax roll (\$961,936). The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2020 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Entities</u>	<u>2020 Tax Rates</u>
Houston Independent School District	\$1.133100
Harris County (a)	\$0.604193
Houston Community College	\$0.100263
City of Houston	<u>\$0.561840</u>
Overlapping Taxes	\$2.399396
 The District	 <u>\$0.740000</u>
Total Direct & Overlapping Taxes	\$3.139396

(a) Includes taxes levied by Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Hospital District, and Harris County Department of Education.

Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund or the Road Debt Service Fund, no increase or decrease in assessed valuation over the values listed below, and utilizes a tax rate adequate to service the District's total debt service requirements after the issuance of the Bonds.

Maximum Annual Debt Service Requirements (2036)\$1,479,786 (a)

Requires a \$0.50 debt service tax rate on the May 15, 2021 Estimated Taxable Value
at 95% collections produces.....\$1,484,855 (a)

Requires a \$0.52 debt service tax rate on the 2021 Preliminary Taxable Value
at 95% collections produces.....\$1,481,175 (a)

Requires a \$0.79 debt service tax rate on the 2020 Certified Taxable Value
at 95% collections produces.....\$1,495,483 (a)

(a) A certain amount of the maximum annual debt service requirement will be paid for with the District's Debt Service tax rate and a certain portion will be paid for with the District's Road Debt Service tax rate.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes that the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for 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 and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax." The District is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of park and recreational facilities; the Board has never levied a park and recreational facilities tax and currently has no plans to levy such tax.

Tax Code and County-Wide Appraisal District

Title I of the Texas Property Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District ("HCAD" or the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$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 the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions. The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

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

Tax Abatement

Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the affected portion of the District), Harris County, Houston Independent School District, or 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, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Effective September 1, 2017, certain classes of disabled veterans may receive a deferral or abatement of taxes without penalty during the time he or she owns or occupies the property as their residential homestead.

Valuation of Property for Taxation

Generally, property in the District must be appraised by HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code.

The Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

District and Taxpayer Remedies

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

The Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The 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.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount (not to exceed 20%) established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount (not to exceed 20%) established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent (April 1). Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person: (1) has been granted an exemption under Sections 11.13, 11.132, or 11.22, Tax Code, (2) requests an installment agreement, and (3) has not entered into an installment agreement with the collector

in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. In addition, effective January 1, 2018, property owners affected by a disaster may pay property taxes in four equal installments following the disaster.

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 is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and within six months for all other property after the purchaser's

deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

After January 1, 2020, a district may adopt an exemption for a portion of the value of property damaged by a declared national disaster based on the percentage of damage to the property. See "RISK FACTORS – Temporary Tax Exemption for Property Damaged by Disaster."

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

The Effect of FIRREA on Tax Collections of the District

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

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

To the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that they affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

CONSOLIDATION AND DISSOLUTION

Consolidation

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

Dissolution

Under Texas law, the territory within the District may be dissolved by the City without the consent of the District or its residents, subject to compliance with Chapter 43 of the Texas Local Government Code, as amended. If dissolution by the City does occur, the District would be abolished. When the District is dissolved, the City must assume the assets, functions and obligations of the District, including the obligation to pay interest and principal on the Bonds. No representation is made concerning the likelihood of dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

THE BONDS

General

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, copies of which are available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from September 1, 2021, at the per annum rates shown on the cover page hereof. The Bonds represent the eighth series of bonds to be issued by the District. The Bonds will be fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable

April 1, 2022, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds (hereinafter defined). See "BOOK-ENTRY-ONLY SYSTEM."

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

Optional Redemption

The District reserves the right to redeem, prior to maturity, the Bonds maturing on or after April 1, 2027, in whole or from time to time in part, on April 1, 2026, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method. Notice of each exercise of the right of redemption will be given at least 30 days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Mandatory Redemption

The Bonds maturing on April 1 in the years 2031, 2034, 2036, 2038, 2040, and 2043 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the tables below.

\$255,000 Term Bonds, due April 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2029	\$85,000
April 1, 2030	\$85,000
April 1, 2031 (maturity)	\$85,000

\$270,000 Term Bonds, due April 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2032	\$85,000
April 1, 2033	\$80,000
April 1, 2034 (maturity)	\$105,000

\$205,000 Term Bonds, due April 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2035	\$105,000
April 1, 2036 (maturity)	\$100,000

\$200,000 Term Bonds, due April 1, 2038

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2037	\$100,000
April 1, 2038 (maturity)	\$100,000

\$215,000 Term Bonds, due April 1, 2040

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2039	\$95,000
April 1, 2040 (maturity)	\$120,000

\$325,000 Term Bonds, due April 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2041	\$115,000
April 1, 2042	\$115,000
April 1, 2043 (maturity)	\$95,000

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City, or any entity other than the District.

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 tax 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 and all interest to accrue on the Bonds to maturity or redemption, or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in: (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or 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 that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

The Bond Order confirms the District's Road Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any additional bonds attributable to roads, payable from taxes which may be issued in the future by the District. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

The District also maintains a Debt Service Fund that is not pledged to the Bonds. Funds in the Debt Service Fund are available only for principal and interest payments on debt attributable to water, sewer, and drainage, and such funds are not available to pay principal and interest on the Bonds.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar" or "Registrar"). The District will maintain at least one Registrar, at whose office the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" below for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax, governmental charge, or other expenses payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to hold them harmless. Upon the issuance of a new bond the District will require payment of taxes, governmental charges, and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

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 un-matured interest coupons attached to them."

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$77,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities and \$115,500,000 of unlimited tax bonds for the purpose of refunding water, sewer, and drainage bonds previously issued; \$48,000,000 of unlimited tax bonds for the purposes of providing road facilities and \$72,000,000 of unlimited tax bonds for the purpose of refunding road bonds previously issued; and \$7,000,000 of unlimited tax bonds for the purposes of providing park and recreational facilities and additions thereto. The District could authorize additional amounts in the future. Following the issuance of the Bonds, \$59,635,000 of unlimited tax bonds for water, sewer and drainage facilities and \$115,350,000 of unlimited tax bonds for refunding water, sewer, and drainage bonds; \$39,895,000 of unlimited tax bonds for road facilities and \$71,870,000 of unlimited tax bonds for refunding road bonds; and \$7,000,000 of unlimited tax bonds for park and recreational facilities will remain authorized, but unissued. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ).

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interest of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority of the aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, no such amendment, addition or rescission may: (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds; (b) give preference of any Bond over any other Bond; or (c) extend any waiver of default to subsequent defaults. In addition, the State, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Underwriter 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 (hereinafter defined), (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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or maturity value, as the case may be, 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants", together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser ("Beneficial Owner") of the Bonds 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 securities representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

The District may decide to discontinue use of the system of Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable; the District, the District's Financial Advisor, and the Underwriter do not take any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

TAX MATTERS

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income, as defined in Section 61 of the Code, for federal income tax purposes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "Service") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the Service. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Service. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Service positions with which the District legitimately disagrees, may not be practicable. Any action of the Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Proposed Tax Legislation

Proposed, and if enacted, tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability

of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes an "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is entitled to be excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Qualified Tax-Exempt Obligations

The District designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code and represents that (i) the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed \$10,000,000 and (ii) the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021.

Pursuant to Section 265 of the Code, qualifying financial institutions may be permitted to deduct that portion of interest expense the financial institution is able to allocate to designated bank-qualified investments. Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

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.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of the Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, 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. The legal opinion of Bond Counsel will further address the matters described above under "TAX MATTERS." Such opinion will express no opinion with respect to the sufficiency of, security for, or marketability of the Bonds.

Legal Review

In its capacity as Bond Counsel, Sanford Kuhl Hagan Kugle Parker Kahn LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "CONSOLIDATION AND DISSOLUTION," "THE BONDS," "TAX MATTERS," and "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the legal matters and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. 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, other than the matters discussed immediately above.

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

No Material Adverse Change

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that no litigation has been filed and there is not pending, and, to the actual knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the then present officers of the Board.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash deposited to pay the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, (b) the mathematical computations related to certain requirements of the City of Houston Ordinance No. 97-416, as amended, and (c) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Robert Thomas CPA, LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions and engineering and other related reports set forth in the 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

The GMS Group, L.L.C. 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 for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled “THE SYSTEM” and certain engineering matters included in “THE DISTRICT – Description and Location,” “– Land Uses and Status of Land Development,” and “– Status of Residential Development” have been provided by LJA Engineering, Inc. and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned “DISTRICT TAX DATA” has been provided by HCAD and by Utility Tax Service, LLC, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The District's annual financial statements as of June 30, 2020, have been prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's June 30, 2020, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas, 77056.

Certification as to Official Statement

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

Updating of Official Statement

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

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving

matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 460 as of the date shown on the cover page.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-31
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	33
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	35-37
GENERAL FUND EXPENDITURES	38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42-47
CHANGE IN LONG-TERM BOND DEBT	48-49
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - FIVE YEARS	50-53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	54-55

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

P. O. Box 29584
Austin, Texas 78755-5126
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 460
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. 460 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

.

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 June 30, 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
Certified Public Accountants
Houston, Texas

October 14, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Management's discussion and analysis of Harris County Municipal Utility District No. 460's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all of the District's assets, liabilities, and 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the costs of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for the acquisition or construction of facilities and related costs.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the 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 assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. 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 by \$267,456 as of June 30, 2020.

A portion of the District's net position reflects its net investment in capital assets (land, detention facilities and intangible assets, less any debt used to acquire those assets that is still outstanding).

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 1,981,075	\$ 1,650,525	\$ 330,550
Intangible Assets (Net of Accumulated Amortization)	18,206,733	13,179,728	5,027,005
Capital Assets (Net of Accumulated Depreciation)	<u>4,315,210</u>	<u>4,377,175</u>	<u>(61,965)</u>
Total Assets	<u>\$ 24,503,018</u>	<u>\$ 19,207,428</u>	<u>\$ 5,295,590</u>
Deferred Outflows of Resources	<u>\$ 100,721</u>	<u>\$ 106,439</u>	<u>\$ (5,718)</u>
Due to Developer	\$ 7,755,241	\$ 4,693,026	\$ (3,062,215)
Long -Term Liabilities	16,398,350	10,521,500	(5,876,850)
Other Liabilities	<u>182,692</u>	<u>2,998,768</u>	<u>2,816,076</u>
Total Liabilities	<u>\$ 24,336,283</u>	<u>\$ 18,213,294</u>	<u>\$ (6,122,989)</u>
Net Position:			
Net Investment in Capital Assets	\$ (1,301,587)	\$ (144,382)	\$ (1,157,205)
Restricted	881,426	840,151	41,275
Unrestricted	<u>687,617</u>	<u>404,804</u>	<u>282,813</u>
Total Net Position	<u>\$ 267,456</u>	<u>\$ 1,100,573</u>	<u>\$ (833,117)</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the year ended June 30, 2020, and June 30, 2019. The District's net position decreased by \$833,117.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,108,074	\$ 900,505	\$ 207,569
Contributed by Other Governmental Unit	-	241,789	(241,789)
Other Revenues	85,880	54,336	31,544
Total Revenues	\$ 1,193,954	\$ 1,196,630	\$ (2,676)
Expenses for Services	2,027,071	1,491,499	(535,572)
Change in Net Position	\$ (833,117)	\$ (294,869)	\$ (538,248)
Net Position, Beginning of Year	1,100,573	1,395,442	(294,869)
Net Position, End of Year	\$ 267,456	\$ 1,100,573	\$ (833,117)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2020, was \$1,847,739, an increase of \$3,150,753 from prior year.

The District's General Fund fund balance increased by \$284,394, primarily due to current year revenue exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$53,857 primarily due to the issuance of the Series 2020 Unlimited Tax Road Bonds and the structure of the District's outstanding debt.

The Capital Project Fund fund balance increased by \$2,812,502 due to the issuance of the Series 2020 Unlimited Tax Road Bonds and the pay-off of \$2,800,000 in Series 2019 Bond Anticipation Note principal.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget and amended the budget during the current fiscal year to increase projected tax revenues and repairs and maintenance costs. Actual revenues were \$70,114 more than budgeted revenues. Actual expenditures were \$6,995 more than budgeted expenditures.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

CAPITAL AND INTANGIBLE ASSETS

Capital assets as of June 30, 2020, total \$4,315,210 and include land and detention facilities which the District will be responsible for maintaining. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,108,326	\$ 2,108,326	\$
Capital Assets, Net of Accumulated Depreciation:			
Detention Facilities	2,206,884	2,268,849	(61,965)
Total Net Capital Assets	<u>\$ 4,315,210</u>	<u>\$ 4,377,175</u>	<u>\$ (61,965)</u>

The District is located within the city limits of the City of Houston (the "City"). In accordance with a Utility Functions and Service Allocation Agreement with the City, all water and wastewater facilities and certain storm water facilities are conveyed to the City once constructed and placed in service. The City operates the facilities as is responsible for the maintenance. Additionally, road and paving facilities are constructed and conveyed to Harris County which is responsible for maintenance. The District has recognized an intangible asset for the cost of facilities conveyed, which has a June 30, 2020 balance, net of accumulated amortization, of \$18,206,733.

LONG-TERM DEBT ACTIVITY

As of June 30, 2020, the District had total bond debt payable of \$16,635,000. The changes in the debt position of the District during the fiscal year ended June 30, 2020, are summarized as follows:

Bond Debt Payable, July 1, 2019	\$ 10,720,000
Add: Bond Sale	6,045,000
Less: Bond Principal Paid	<u>130,000</u>
Bond Debt Payable, June 30, 2020	<u>\$ 16,635,000</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

LONG-TERM DEBT ACTIVITY (Continued)

The District's Series 2015 Road bonds, Series 2018 bonds and Series 2018A Refunding bonds are non-rated for underlying rating purposes. The Series 2019 and Series 2020 Road bonds have an underlying rating of BBB-. The Series 2018, Series 2018A Refunding and Series 2019 bonds have an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 Road bonds have an insured rating of "AA" by virtue of bond insurance issued by Assured Guarantee Municipal Corp.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year ending June 30, 2021 projects an increase of \$29,195 to the General Fund fund balance. Revenue is expected to be \$545,360 and expenditures are expected to be \$516,165.

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. 460, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056.

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 579,219	\$ 341,275
Investments	150,000	645,000
Receivables:		
Property Taxes	10,912	13,366
Penalty and Interest on Delinquent Taxes		
Accrued Interest	7	3,659
Other		64
Due from Other Funds	3,754	
Prepaid Costs		
Due from Other Governmental Unit		18,144
Intangible Assets - Right to Receive Service (Net of Accumulated Amortization)		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 743,892</u>	<u>\$ 1,021,508</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 743,892</u></u>	<u><u>\$ 1,021,508</u></u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 176,121	\$ 1,096,615 795,000	\$	\$ 1,096,615 795,000
	24,278		24,278
		4,825	4,825
	3,666		3,666
	64		64
	3,754	(3,754)	
		38,483	38,483
	18,144		18,144
		18,206,733	18,206,733
		2,108,326	2,108,326
		<u>2,206,884</u>	<u>2,206,884</u>
<u>\$ 176,121</u>	<u>\$ 1,941,521</u>	<u>\$ 22,561,497</u>	<u>\$ 24,503,018</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100,721</u>	<u>\$ 100,721</u>
<u>\$ 176,121</u>	<u>\$ 1,941,521</u>	<u>\$ 22,662,218</u>	<u>\$ 24,603,739</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 41,539	\$
Accrued Interest Payable		4,275
Due to Developers	6,767	
Due to Other Funds		3,754
Long-Term Liabilities:		
Bonds Payable Within One Year		
Bonds Payable After One Year		
TOTAL LIABILITIES	<u>\$ 48,306</u>	<u>\$ 8,029</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 10,912</u>	<u>\$ 13,366</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		1,000,113
Unassigned	<u>684,674</u>	
TOTAL FUND BALANCES	<u>\$ 684,674</u>	<u>\$ 1,000,113</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 743,892</u></u>	<u><u>\$ 1,021,508</u></u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 41,539	\$	\$ 41,539
	4,275	136,878	141,153
13,169	19,936	7,735,305	7,755,241
	3,754	(3,754)	
		290,000	290,000
		16,108,350	16,108,350
<u>\$ 13,169</u>	<u>\$ 69,504</u>	<u>\$ 24,266,779</u>	<u>\$ 24,336,283</u>
<u>\$ -0-</u>	<u>\$ 24,278</u>	<u>\$ (24,278)</u>	<u>\$ -0-</u>
\$ 162,952	\$ 162,952	\$ (162,952)	\$
	1,000,113	(1,000,113)	
	684,674	(684,674)	
<u>\$ 162,952</u>	<u>\$ 1,847,739</u>	<u>\$ (1,847,739)</u>	<u>\$ - 0 -</u>
<u>\$ 176,121</u>	<u>\$ 1,941,521</u>		
		\$ (1,301,587)	\$ (1,301,587)
		881,426	881,426
		687,617	687,617
		<u>\$ 267,456</u>	<u>\$ 267,456</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances - Governmental Funds	\$	1,847,739
--	----	-----------

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

Insurance paid in advance as part of a bond sale is recorded as an expenditure in the governmental funds. However, in the government wide statements this is recorded as a prepaid cost and systematically charged to interest expense over the life of the new debt.		38,483
---	--	--------

Intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		18,206,733
---	--	------------

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow 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.		100,721
--	--	---------

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		4,315,210
--	--	-----------

Deferred inflows related to property tax revenues and uncollected penalty and interest on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		29,103
--	--	--------

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

Due to Developer	\$ (7,735,305)	
Accrued Interest Payable	(136,878)	
Bonds Payable	<u>(16,398,350)</u>	<u>(24,270,533)</u>

Total Net Position - Governmental Activities	\$	<u><u>267,456</u></u>
--	----	-----------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 658,158	\$ 452,077
Penalty and Interest		7,352
Investment Revenues	4,976	15,374
Miscellaneous Revenue	40,000	30
Tax Rebate		18,144
	<hr/>	<hr/>
TOTAL REVENUES	\$ 703,134	\$ 492,977
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 171,084	\$ 2,384
Contracted Services	87,444	23,931
Utilities	200	
Repairs and Maintenance	100,129	
Amortization		
Depreciation		
Other	12,234	7,078
Capital Outlay	47,649	
Debt Service:		
Bond Principal		130,000
Bond Interest		415,633
BAN Interest		
Developer Interest		
Bond Issuance Costs		
	<hr/>	<hr/>
TOTAL EXPENDITURES/EXPENSES	\$ 418,740	\$ 579,026
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 284,394	\$ (86,049)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$ 139,906
Bond Discount		
Bond Premium		
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ 139,906
NET CHANGE IN FUND BALANCES	\$ 284,394	\$ 53,857
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2019	400,280	946,256
	<hr/>	<hr/>
FUND BALANCES/NET POSITION - JUNE 30, 2020	\$ 684,674	\$ 1,000,113
	<hr/>	<hr/>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,110,235	\$ (2,161)	\$ 1,108,074
	7,352	(186)	7,166
180	20,530		20,530
10	40,040		40,040
	18,144		18,144
<u>\$ 190</u>	<u>\$ 1,196,301</u>	<u>\$ (2,347)</u>	<u>\$ 1,193,954</u>
\$	\$ 173,468	\$	\$ 173,468
	111,375		111,375
	200		200
	100,129		100,129
		533,955	533,955
		61,965	61,965
130	19,442		19,442
2,461,132	2,508,781	(2,508,781)	
	130,000	(130,000)	
	415,633	26,091	441,724
72,162	72,162		72,162
37,381	37,381		37,381
475,270	475,270		475,270
<u>\$ 3,046,075</u>	<u>\$ 4,043,841</u>	<u>\$ (2,016,770)</u>	<u>\$ 2,027,071</u>
<u>\$ (3,045,885)</u>	<u>\$ (2,847,540)</u>	<u>\$ 2,014,423</u>	<u>\$ (833,117)</u>
\$ 5,905,094	\$ 6,045,000	\$ (6,045,000)	\$
(91,533)	(91,533)	91,533	
44,826	44,826	(44,826)	
<u>\$ 5,858,387</u>	<u>\$ 5,998,293</u>	<u>\$ (5,998,293)</u>	<u>\$ - 0 -</u>
\$ 2,812,502	\$ 3,150,753	\$ (3,150,753)	\$
		(833,117)	(833,117)
<u>(2,649,550)</u>	<u>(1,303,014)</u>	<u>2,403,587</u>	<u>1,100,573</u>
<u>\$ 162,952</u>	<u>\$ 1,847,739</u>	<u>\$ (1,580,283)</u>	<u>\$ 267,456</u>

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

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds	\$ 3,150,753
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(2,161)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(186)
Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital and intangible assets are depreciated and amortized, and the depreciation and amortization expense is recorded in the Statement of Activities.	(595,920)
Governmental funds report bond premiums and discounts as other financing sources and uses in the year paid. However, in the Statement of Net Position, bond premiums and discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	46,707
Governmental funds report developer reimbursements as an expense. However, in the Statement of Net Position, developer reimbursements are reported as decreases to amounts due to developer.	2,508,781
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	130,000
Governmental funds report interest and insurance expenditures on long-term debt as expenditures in the year paid, deferred charges as deferred outflows of resources and bond discounts and premiums as other financing uses and sources. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end and insurance, deferred charges, bond discounts and bond premiums are amortized over the life of the debt against interest expense.	(26,091)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(6,045,000)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (833,117)</u></u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 460 of Harris County, Texas (the “District”) was created by Act of May 24, 2005, 79th Legislature, Regular Session, Senate Bill 1884 (codified as Texas Special District Local Laws Code Ann. Section 8124). 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, wastewater service, storm sewer drainage, irrigation, to construct roads, to provide 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 March 13, 2006, and the first bonds were issued on September 20, 2011.

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 generally maintained in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

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

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”).

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. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 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, and intangible assets net of accumulated depreciation and amortization 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 funds 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 and intangible assets are allocated over their estimated useful lives as depreciation and amortization expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund – To account for resources not required to be accounted for in another fund, maintenance tax revenues, operating costs and general expenditures.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2020, the Debt Service Fund owed the General Fund \$3,754 for maintenance tax collections.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 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 acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset.

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

	<u>Years</u>
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 amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget and the final amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered “employees” for federal payroll tax purposes only.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 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 and liabilities associated with the activities are reported. Fund equity is classified as net position.

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 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

	Series 2015 Road	Series 2018	Series 2018A Refunding
Amount Outstanding – June 30, 2020	\$ 1,910,000	\$ 3,475,000	\$ 2,025,000
Interest Rates	2.50% - 4.00%	3.00% - 5.50%	3.000% - 3.375%
Maturity Dates – Serially Beginning/Ending	April 1, 2021/2043	April 1, 2021/2043	April 1, 2021/2038
Interest Payment Dates	October 1/ April 1	October 1/ April 1	October 1/ April 1
Callable Dates	April 1, 2021*	April 1, 2023*	April 1, 2024*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2015 term bonds due April 1, 2035, April 1, 2039, and April 1, 2043; Series 2018 term bonds due April 1, 2032, April 1, 2036, and April 1, 2043; and Series 2018A term bonds due April 1, 2024, April 1, 2030, April 1, 2033, April 1, 2035 and April 1, 2038 are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on April 1 in the years and amounts as reflected in the debt service schedules.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2019	Series 2020 Road
Amount Outstanding – June 30, 2020	\$ 3,180,000	\$ 6,045,000
Interest Rates	3.00% - 5.50%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	April 1, 2021/2045	April 1, 2023/2047
Interest Payment Dates	October 1/ April 1	October 1/ April 1
Callable Dates	April 1, 2023**	April 1, 2025**

** The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2019 term bonds due April 1, 2039, April 1, 2041, April 1, 2043, and April 1, 2045; and Series 2020 term bonds due April 1, 2041, April 1, 2043, April 1, 2045, and April 1, 2047, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on April 1 in the years and amounts as reflected in the debt service schedules.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2020:

	July 1, 2019	Additions	Retirements	June 30, 2020
Bonds Payable	\$ 10,720,000	\$ 6,045,000	\$ 130,000	\$ 16,635,000
Unamortized Discounts	(209,813)	(91,533)	(9,666)	(291,680)
Unamortized Premiums	11,313	44,826	1,109	55,030
Bonds Payable, Net	<u>\$ 10,521,500</u>	<u>\$ 5,998,293</u>	<u>\$ 121,443</u>	<u>\$ 16,398,350</u>
		Amount Due Within One Year		\$ 290,000
		Amount Due After One Year		<u>16,108,350</u>
		Bonds Payable, Net		<u>\$ 16,398,350</u>

On March 12, 2020, the District issued \$6,045,000 of Unlimited Tax Road Bonds, Series 2020, with interest rates ranging from 2.00% to 4.00%. The net proceeds of \$5,573,123 (after payment of underwriter fees and other bond related costs) were used by the District to i) pay off the Series 2019 Bond Anticipation Note including interest, ii) reimburse the developers in the District for various construction costs related to road facilities and improvements, and iii) to pay for accrued bond interest and subsequent bond issue costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2020, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 290,000	\$ 535,853	\$ 825,853
2022	315,000	511,869	826,869
2023	460,000	498,168	958,168
2024	465,000	478,493	943,493
2025	470,000	460,356	930,356
2026-2030	2,875,000	2,062,516	4,937,516
2031-2035	3,500,000	1,614,638	5,114,638
2036-2040	3,955,000	1,034,416	4,989,416
2041-2045	3,585,000	403,043	3,988,043
2046-2047	720,000	27,250	747,250
	<u>\$ 16,635,000</u>	<u>\$ 7,626,602</u>	<u>\$ 24,261,602</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The District has authorized but unissued bonds in the amount of \$68,095,000 for water, sewer and drainage purposes, \$39,895,000 for road purposes and \$7,000,000 for recreational purposes.

During the year ended June 30, 2020, the District levied an ad valorem debt service tax rate of \$0.30 (\$0.15 for utility bonds and \$0.15 for road bonds) per \$100 of assessed valuation, which resulted in a tax levy of \$449,175 on the adjusted taxable valuation of \$149,725,276 for the 2019 tax year. The bond order requires 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond orders state that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings, if any, 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.

In accordance with the bond orders for the Series 2019 Tax Bonds and the Series 2020 Road Bonds, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Restricted for Bond Interest – July 1, 2019	\$ 92,737
Plus: Capitalized Interest – Series 2020	139,906
Less: Bond Interest – Series 2019	<u>(92,737)</u>
Restricted for Bond Interest – June 30, 2020	<u><u>\$ 139,906</u></u>

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 \$1,891,615 and the bank balance was \$1,894,979. Of the bank balance, \$995,000 was covered by federal depository insurance and the remaining balance was collateralized with securities held in a third-party depository in the District's name.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position as of June 30, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 579,219	\$ 150,000	\$ 729,219
DEBT SERVICE FUND	341,275	645,000	986,275
CAPITAL PROJECTS FUND	176,121		176,121
TOTAL DEPOSITS	<u>\$ 1,096,615</u>	<u>\$ 795,000</u>	<u>\$ 1,891,615</u>

Investments

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 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>		
Certificates of Deposit	\$ 150,000	\$ 150,000
<u>DEBT SERVICE FUND</u>		
Certificates of Deposit	<u>645,000</u>	<u>645,000</u>
TOTAL INVESTMENTS	<u>\$ 795,000</u>	<u>\$ 795,000</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages this risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6. CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2020:

	July 1, 2019	Increases	Decreases	June 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,108,326	\$ - 0 -	\$ - 0 -	\$ 2,108,326
Capital Assets Subject to Depreciation				
Detention Facilities	\$ 2,780,795	\$ - 0 -	\$ - 0 -	\$ 2,780,795
Accumulated Depreciation				
Detention Facilities	\$ 511,946	\$ 61,965	\$ - 0 -	\$ 573,911
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 2,268,849	\$ (61,965)	\$ - 0 -	\$ 2,206,884
Total Capital Assets, Net of Accumulated Depreciation	\$ 4,377,175	\$ (61,965)	\$ - 0 -	\$ 4,315,210

In accordance with a Utility Functions and Services Allocation Agreement (see Note 8), the water, wastewater and certain storm water capital assets constructed by the District's Developer, for which the District has recorded a liability in the Statement of Net Position, have been submitted for conveyance to the City of Houston for operations and maintenance. Additionally, road and paving assets constructed by the District's Developer have been conveyed to Harris County for maintenance. Intangible assets, net of accumulated amortization, including current year amortization of \$533,955, totaled \$18,206,733 as of June 30, 2020.

NOTE 7. MAINTENANCE TAX

On May 13, 2006, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended June 30, 2020, the District levied an ad valorem maintenance tax rate of \$0.44 per \$100 of assessed valuation, which resulted in a tax levy of \$658,791 on the adjusted taxable valuation of \$149,725,276 for the 2019 tax year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT

On May 7, 2008, the District entered into a Utility Functions and Services Allocation Agreement (the “Agreement”) with the City of Houston, Texas (the “City”). The Agreement acknowledges that the District is within the corporate limits of the City. The Agreement provides that the District will acquire, for the benefit of and conveyance to the City, certain water and wastewater and storm drainage facilities needed to serve lands being developed within and near the boundaries of the District in order to enhance the economic feasibility of the District. Exhibits to the Agreement also provide that the City can agree to pay a portion of the construction costs of said utilities through “Developer Participation Contracts” between the City and the Developer and/or through “Interlocal Agreements” with the District.

As facilities are acquired, constructed and conveyed to the City, the City will assume responsibility for operation and maintenance of the conveyed water, wastewater and storm water drainage facilities. The City will bill and collect for water and wastewater services from the customers within the District at the same rates as those the City charges its other customers.

In consideration of the development of the land within the District and City, the related increase in taxable value and as a result of the conveyance of the facilities to the City, the City agreed to make an annual payment to the District of a portion of the City’s tax revenues actually collected and received by the City. Currently, the rebate is calculated with the following formula:

$$R \times \frac{\text{City property tax rate for debt service on property tax-supported bonds}}{\text{assessed valuation of in-city district}} = \frac{\text{dollar value offset in in-city district}}{100}$$

R is the approximate value of the ratio between the City’s debt service payments for stormwater facilities and the total City debt service payments for all tax-supported bonds. Initially, R is 0.13. The City shall recompute R every ten years and shall provide the District documentation that supports any change to this ratio.

The payment is to be made on April 1 in the calendar year following the calendar year in which the District completes its initial bond sale and will be payable each April 1 thereafter. The agreement makes provision that for correction or supplemental tax rolls, the District is responsible for notifying the City of the changes, so the rebate calculation can be revised for the changes in taxable values. The City is obligated to provide the District an accounting together with each annual payment.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. UTILITY FUNCTIONS AND SERVICES ALLOCATION AGREEMENT
(Continued)

The District and City acknowledge that the City has the legal authority to dissolve the District at any time, should the appropriate circumstances exist. The Agreement will remain in effect until the earlier of 50 years or the dissolution of the District by the City.

During the current fiscal year, the District accrued for \$18,144 from the City for the 2019 tax rebate.

NOTE 9. UNREIMBURSED COSTS

The District has executed development financing agreements with Developers within the District. The agreements call for the Developers to make operating advances as well as fund costs associated with water, sewer and drainage facilities until such time as the District can sell bonds. As reflected on the Statement of Net Position, \$7,735,305 has been recorded as due to Developers. Of this amount, \$7,688,853 has been recorded for completed projects and \$46,452 has been recorded for Developer advances to cover operating costs. The completed projects include \$21,264,450 pertaining to capital assets that have been deemed conveyed to the City of Houston or Harris County (see Note 6). The following is a summary of the due to developer transactions for the fiscal year ending June 30, 2020:

Due to Developers, July 1, 2019	\$ 4,683,126
Add: Current Year Additions	5,598,341
Less: Current Year Payments	<u>(2,546,162)</u>
Due to Developers, June 30, 2020	<u><u>\$ 7,735,305</u></u>

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters 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.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11. UNCERTAINTIES

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

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 385,000	\$ 632,660	\$ 658,158	\$ 25,498
Investment Revenues	360	360	4,976	4,616
Miscellaneous Revenues	<u> </u>	<u> </u>	<u>40,000</u>	<u>40,000</u>
TOTAL REVENUES	<u>\$ 385,360</u>	<u>\$ 633,020</u>	<u>\$ 703,134</u>	<u>\$ 70,114</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 149,000	\$ 149,000	\$ 171,084	\$ (22,084)
Contracted Services	83,800	83,800	87,444	(3,644)
Utilities			200	(200)
Repairs and Maintenance	100,000	166,000	100,129	65,871
Other	12,945	12,945	12,234	711
Capital Outlay	<u> </u>	<u> </u>	<u>47,649</u>	<u>(47,649)</u>
TOTAL EXPENDITURES	<u>\$ 345,745</u>	<u>\$ 411,745</u>	<u>\$ 418,740</u>	<u>\$ (6,995)</u>
NET CHANGE IN FUND BALANCE	\$ 39,615	\$ 221,275	\$ 284,394	\$ 63,119
FUND BALANCE - JULY 1, 2019	<u>400,280</u>	<u>400,280</u>	<u>400,280</u>	<u> </u>
FUND BALANCE - JUNE 30, 2020	<u>\$ 439,895</u>	<u>\$ 621,555</u>	<u>\$ 684,674</u>	<u>\$ 63,119</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2020

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2020

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

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

Pursuant to the Utility Functions and Services Allocation Agreement, the water, wastewater and certain storm water facilities constructed by the District have been conveyed to the City. The District retains ownership of the storm water detention facilities. The City owns, operated and maintains facilities which the District conveys to it for the benefit of the residents of the District.

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved or effective: N/A.

	<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:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

Total monthly charges per 10,000 gallons usage: Water: \$N/A Wastewater: \$N/A Surcharge: \$N/A Total: \$N/A

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2020

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	_____	_____	x 1.0	_____
≤¾"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10" Master	_____	_____	x 115.0	_____
Total Water Connections	_____ <u>N/A</u>	_____ <u>N/A</u>		_____ <u>N/A</u>
Total Wastewater Connections	_____ <u>N/A</u>	_____ <u>N/A</u>	x 1.0	_____ <u>N/A</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSANDS: (Not Applicable)

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

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

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2020

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City or Cities in which District is located:

City of Houston, Texas.

Are Board appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020

PROFESSIONAL FEES:	
Auditing	\$ 11,750
Engineering	38,828
Legal	118,106
Financial Advisor	<u>2,400</u>
TOTAL PROFESSIONAL FEES	<u>\$ 171,084</u>
CONTRACTED SERVICES -	
Bookkeeping	<u>\$ 11,214</u>
UTILITIES -	
Electricity	<u>\$ 200</u>
REPAIRS AND MAINTENANCE	<u>\$ 100,129</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 5,250
Dues	675
Insurance	4,748
Payroll Taxes	402
Travel and Meetings	91
Other	<u>1,068</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 12,234</u>
CAPITAL OUTLAY -	
Capitalized Assets	<u>\$ 47,649</u>
SECURITY	<u>\$ 76,230</u>
TOTAL EXPENDITURES	<u><u>\$ 418,740</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 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>					
Certificate of Deposit	XXXX0773	0.20%	12/21/20	\$ 150,000	\$ 7
<u>DEBT SERVICE FUND</u>					
Certificate of Deposit	XXXX0853	1.65%	08/21/20	\$ 300,000	\$ 1,763
Certificate of Deposit	XXXX2498	1.50%	08/21/20	245,000	1,309
Certificate of Deposit	XXXX0606	1.65%	08/21/20	100,000	587
TOTAL DEBT SERVICE FUND				\$ 645,000	\$ 3,659
TOTAL - ALL FUNDS				\$ 795,000	\$ 3,666

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JULY 1, 2019	\$	10,308	\$	16,131
Adjustments to Beginning				
Balance		<u>(34)</u>		<u>(42)</u>
	\$	10,274	\$	16,089
Original 2019 Tax Levy	\$	557,914	\$	380,396
Adjustment to 2019 Tax Levy		<u>100,877</u>		<u>68,779</u>
		658,791		449,175
TOTAL TO BE				
ACCOUNTED FOR		\$ 669,065		\$ 465,264
TAX COLLECTIONS:				
Prior Years	\$	4,698	\$	6,361
Current Year		<u>653,455</u>		<u>445,537</u>
		658,153		451,898
TAXES RECEIVABLE -				
JUNE 30, 2020		<u>\$ 10,912</u>		<u>\$ 13,366</u>
TAXES RECEIVABLE BY				
YEAR:				
2019	\$	5,336	\$	3,638
2018		2,011		2,639
2017		1,458		2,138
2016		1,554		2,157
2015		276		1,429
2014		240		1,240
2013 and Prior		<u>37</u>		<u>125</u>
TOTAL		<u>\$ 10,912</u>		<u>\$ 13,366</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 35,461,138	\$ 32,715,813	\$ 27,683,715	\$ 18,953,713
Improvements	115,351,091	89,899,980	59,451,694	47,450,542
Personal Property	996,984	650,396	465,560	404,483
Exemptions	<u>(2,083,937)</u>	<u>(1,782,239)</u>	<u>(792,035)</u>	<u>(486,095)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 149,725,276</u>	<u>\$ 121,483,950</u>	<u>\$ 86,808,934</u>	<u>\$ 66,322,643</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.30	\$ 0.42	\$ 0.44	\$ 0.43
Maintenance	<u>0.44</u>	<u>0.32</u>	<u>0.30</u>	<u>0.31</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.74</u>	<u>\$ 0.74</u>	<u>\$ 0.74</u>	<u>\$ 0.74</u>
ADJUSTED TAX LEVY*	<u>\$ 1,107,966</u>	<u>\$ 898,981</u>	<u>\$ 642,386</u>	<u>\$ 490,787</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.19 %</u>	<u>99.48 %</u>	<u>99.44 %</u>	<u>99.24 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 13, 2006.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

S E R I E S - 2 0 1 5 R O A D			
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2021	\$ 50,000	\$ 72,232	\$ 122,232
2022	50,000	70,982	120,982
2023	50,000	69,606	119,606
2024	50,000	68,106	118,106
2025	50,000	66,606	116,606
2026	50,000	65,044	115,044
2027	75,000	63,368	138,368
2028	75,000	60,744	135,744
2029	75,000	58,025	133,025
2030	75,000	55,213	130,213
2031	75,000	52,400	127,400
2032	75,000	49,400	124,400
2033	75,000	46,400	121,400
2034	100,000	43,400	143,400
2035	100,000	39,400	139,400
2036	100,000	35,400	135,400
2037	100,000	31,400	131,400
2038	100,000	27,400	127,400
2039	100,000	23,400	123,400
2040	125,000	19,400	144,400
2041	125,000	14,400	139,400
2042	125,000	9,400	134,400
2043	110,000	4,400	114,400
2044			
2045			
2046			
2047			
	<u>\$ 1,910,000</u>	<u>\$ 1,046,126</u>	<u>\$ 2,956,126</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

S E R I E S - 2 0 1 8			
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2021	\$ 100,000	\$ 124,625	\$ 224,625
2022	100,000	119,125	219,125
2023	100,000	113,625	213,625
2024	100,000	108,125	208,125
2025	100,000	102,625	202,625
2026	100,000	97,125	197,125
2027	125,000	92,875	217,875
2028	125,000	89,125	214,125
2029	125,000	85,375	210,375
2030	125,000	81,625	206,625
2031	125,000	77,875	202,875
2032	150,000	74,125	224,125
2033	150,000	69,625	219,625
2034	150,000	64,750	214,750
2035	175,000	59,875	234,875
2036	175,000	54,188	229,188
2037	175,000	48,500	223,500
2038	175,000	42,813	217,813
2039	200,000	37,125	237,125
2040	200,000	30,375	230,375
2041	225,000	23,625	248,625
2042	225,000	16,031	241,031
2043	250,000	8,437	258,437
2044			
2045			
2046			
2047			
	<u>\$ 3,475,000</u>	<u>\$ 1,621,594</u>	<u>\$ 5,096,594</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

S E R I E S - 2 0 1 8 A R E F U N D I N G			
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2021	\$ 85,000	\$ 63,781	\$ 148,781
2022	90,000	61,231	151,231
2023	85,000	58,531	143,531
2024	90,000	55,981	145,981
2025	95,000	53,281	148,281
2026	95,000	50,431	145,431
2027	100,000	47,581	147,581
2028	105,000	44,581	149,581
2029	110,000	41,431	151,431
2030	115,000	38,131	153,131
2031	115,000	34,681	149,681
2032	120,000	31,088	151,088
2033	125,000	27,188	152,188
2034	130,000	23,125	153,125
2035	135,000	18,900	153,900
2036	140,000	14,513	154,513
2037	145,000	9,788	154,788
2038	145,000	4,895	149,895
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 2,025,000</u>	<u>\$ 679,138</u>	<u>\$ 2,704,138</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

S E R I E S - 2 0 1 9			
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2021	\$ 55,000	\$ 123,650	\$ 178,650
2022	75,000	120,625	195,625
2023	75,000	116,500	191,500
2024	75,000	112,375	187,375
2025	75,000	108,437	183,437
2026	100,000	104,687	204,687
2027	100,000	101,687	201,687
2028	100,000	98,687	198,687
2029	100,000	95,687	195,687
2030	100,000	92,563	192,563
2031	125,000	89,313	214,313
2032	125,000	84,937	209,937
2033	125,000	80,563	205,563
2034	125,000	75,875	200,875
2035	125,000	71,187	196,187
2036	150,000	66,500	216,500
2037	150,000	60,875	210,875
2038	150,000	55,250	205,250
2039	150,000	49,625	199,625
2040	175,000	44,000	219,000
2041	175,000	37,000	212,000
2042	175,000	30,000	205,000
2043	175,000	23,000	198,000
2044	200,000	16,000	216,000
2045	200,000	8,000	208,000
2046			
2047			
	<u>\$ 3,180,000</u>	<u>\$ 1,867,023</u>	<u>\$ 5,047,023</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

S E R I E S - 2 0 2 0 R O A D			
Due During Fiscal Years Ending June 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2021	\$	\$ 151,565	\$ 151,565
2022		139,906	139,906
2023	150,000	139,906	289,906
2024	150,000	133,906	283,906
2025	150,000	129,407	279,407
2026	150,000	126,406	276,406
2027	175,000	123,406	298,406
2028	175,000	119,906	294,906
2029	200,000	116,406	316,406
2030	200,000	112,407	312,407
2031	200,000	108,406	308,406
2032	200,000	104,406	304,406
2033	225,000	100,406	325,406
2034	225,000	95,906	320,906
2035	225,000	91,407	316,407
2036	250,000	86,906	336,906
2037	250,000	81,594	331,594
2038	250,000	75,969	325,969
2039	275,000	70,344	345,344
2040	275,000	64,156	339,156
2041	300,000	57,625	357,625
2042	300,000	50,500	350,500
2043	325,000	43,000	368,000
2044	325,000	34,875	359,875
2045	350,000	26,750	376,750
2046	350,000	18,000	368,000
2047	370,000	9,250	379,250
	<u>\$ 6,045,000</u>	<u>\$ 2,412,721</u>	<u>\$ 8,457,721</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 290,000	\$ 535,853	\$ 825,853
2022	315,000	511,869	826,869
2023	460,000	498,168	958,168
2024	465,000	478,493	943,493
2025	470,000	460,356	930,356
2026	495,000	443,693	938,693
2027	575,000	428,917	1,003,917
2028	580,000	413,043	993,043
2029	610,000	396,924	1,006,924
2030	615,000	379,939	994,939
2031	640,000	362,675	1,002,675
2032	670,000	343,956	1,013,956
2033	700,000	324,182	1,024,182
2034	730,000	303,056	1,033,056
2035	760,000	280,769	1,040,769
2036	815,000	257,507	1,072,507
2037	820,000	232,157	1,052,157
2038	820,000	206,327	1,026,327
2039	725,000	180,494	905,494
2040	775,000	157,931	932,931
2041	825,000	132,650	957,650
2042	825,000	105,931	930,931
2043	860,000	78,837	938,837
2044	525,000	50,875	575,875
2045	550,000	34,750	584,750
2046	350,000	18,000	368,000
2047	370,000	9,250	379,250
	\$ 16,635,000	\$ 7,626,602	\$ 24,261,602

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2020

Description	Original Bonds Issued	Bonds Outstanding July 1, 2019
Harris County Municipal Utility District No. 460 Unlimited Tax Road Bonds - Series 2015	\$ 2,060,000	\$ 1,960,000
Harris County Municipal Utility District No. 460 Unlimited Tax Bonds - Series 2018	3,475,000	3,475,000
Harris County Municipal Utility District No. 460 Unlimited Tax Refunding Bonds - Series 2018A	2,180,000	2,105,000
Harris County Municipal Utility District No. 460 Unlimited Tax Bonds - Series 2019	3,180,000	3,180,000
Harris County Municipal Utility District No. 460 Unlimited Tax Road Bonds - Series 2020	<u>6,045,000</u>	
TOTAL	<u>\$ 16,940,000</u>	<u>\$ 10,720,000</u>

Bond Authority:	Tax Bonds*	Road Bonds	Recreational Bonds
Amount Authorized by Voters	\$ 77,000,000	\$ 48,000,000	\$ 7,000,000
Amount Issued	<u>8,905,000</u>	<u>\$ 8,105,000</u>	<u>- 0 -</u>
Remaining to be Issued	<u>\$ 68,095,000</u>	<u>\$ 39,895,000</u>	<u>\$ 7,000,000</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.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding June 30, 2020	Paying Agent	
	Principal	Interest			
\$	\$ 50,000	\$ 73,356	\$ 1,910,000	Amegy Bank Houston, Texas	
		124,625	3,475,000	Amegy Bank Houston, Texas	
	80,000	66,181	2,025,000	Amegy Bank Houston, Texas	
		151,471	3,180,000	Zions Bancorporation, NA Houston, Texas	
<u>6,045,000</u>			<u>6,045,000</u>	The Bank of New York Mellon Trust Company Dallas, Texas	
<u>\$ 6,045,000</u>	<u>\$ 130,000</u>	<u>\$ 415,633</u>	<u>\$ 16,635,000</u>		

Debt Service Fund cash and investment balances as of June 30, 2020: \$ 986,275

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 898,578

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 658,158	\$ 385,348	\$ 277,047
Investment and Miscellaneous Revenues	<u>44,976</u>	<u>6,100</u>	<u>1,075</u>
TOTAL REVENUES	<u>\$ 703,134</u>	<u>\$ 391,448</u>	<u>\$ 278,122</u>
EXPENDITURES			
Professional Fees	\$ 171,084	\$ 163,830	\$ 148,095
Contracted Services	87,444	9,694	7,855
Utilities	200		
Repairs and Maintenance	100,129	116,860	51,010
Other	12,234	13,178	12,229
Capital Outlay	<u>47,649</u>		
TOTAL EXPENDITURES	<u>\$ 418,740</u>	<u>\$ 303,562</u>	<u>\$ 219,189</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 284,394</u>	<u>\$ 87,886</u>	<u>\$ 58,933</u>
OTHER FINANCING SOURCES			
Transfers In	<u>\$ -0-</u>	<u>\$ 80,055</u>	<u>\$ 16,975</u>
NET CHANGE IN FUND BALANCE	\$ 284,394	\$ 167,941	\$ 75,908
BEGINNING FUND BALANCE	<u>400,280</u>	<u>232,339</u>	<u>156,431</u>
ENDING FUND BALANCE	<u><u>\$ 684,674</u></u>	<u><u>\$ 400,280</u></u>	<u><u>\$ 232,339</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 194,127	\$ 61,281	93.6 %	98.4 %	99.6 %	99.7 %	99.1 %
546	584	6.4	1.6	0.4	0.3	0.9
\$ 194,673	\$ 61,865	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 144,039	\$ 68,346	24.3 %	41.8 %	53.2 %	74.0 %	110.5 %
7,766	7,785	12.4	2.5	2.8	4.0	12.6
55,179	11,079	14.3	29.9	18.3	28.3	17.9
11,681	10,388	1.8	3.4	4.4	6.0	16.8
		6.8				
\$ 218,665	\$ 97,598	59.6 %	77.6 %	78.7 %	112.3 %	157.8 %
\$ (23,992)	\$ (35,733)	40.4 %	22.4 %	21.3 %	(12.3) %	(57.8) %
\$ -0-	\$ -0-					
\$ (23,992)	\$ (35,733)					
180,423	216,156					
\$ 156,431	\$ 180,423					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 452,077	\$ 507,778	\$ 414,130
Penalty and Interest	7,352	8,215	31,100
Interest on Investments	15,374	15,991	5,022
Miscellaneous Revenue	30	970	10
Tax Rebate	<u>18,144</u>	<u>18,144</u>	<u>22,060</u>
TOTAL REVENUES	<u>\$ 492,977</u>	<u>\$ 551,098</u>	<u>\$ 472,322</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 31,393	\$ 28,434	\$ 36,191
Debt Service Principal	130,000	125,000	100,000
Debt Service Interest and Fees	417,633	275,200	168,875
Bond Issuance Costs	<u></u>	<u></u>	<u>145,879</u>
TOTAL EXPENDITURES	<u>\$ 579,026</u>	<u>\$ 428,634</u>	<u>\$ 450,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (86,049)</u>	<u>\$ 122,464</u>	<u>\$ 21,377</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$	\$	\$ 53,119
Long-Term Debt Issued	139,906	92,737	93,469
Refunding Bonds			2,180,000
Payment to Refunded Bond Escrow Agent			(2,092,275)
Bond Premium	<u></u>	<u></u>	<u>12,121</u>
TOTAL OTHER FINANCING SOURCES, NET	<u>\$ 139,906</u>	<u>\$ 92,737</u>	<u>\$ 246,434</u>
NET CHANGE IN FUND BALANCE	\$ 53,857	\$ 215,201	\$ 267,811
BEGINNING FUND BALANCE	<u>946,256</u>	<u>731,055</u>	<u>463,244</u>
ENDING FUND BALANCE	<u><u>\$ 1,000,113</u></u>	<u><u>\$ 946,256</u></u>	<u><u>\$ 731,055</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 282,690	\$ 299,667	91.7 %	92.1 %	87.6 %	90.2 %	90.9 %
12,626	19,022	1.5	1.5	6.6	4.0	5.8
1,525	568	3.1	2.9	1.1	0.5	0.2
20	980		0.2			0.3
16,760	9,196	3.7	3.3	4.7	5.3	2.8
\$ 313,621	\$ 329,433	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 23,139	\$ 22,207	6.4 %	5.2 %	7.7 %	7.4 %	6.7 %
45,000	45,000	26.4	22.7	21.2	14.3	13.7
205,706	157,428	84.7	49.9	35.7	65.6	47.8
				30.9		
\$ 273,845	\$ 224,635	117.5 %	77.8 %	95.5 %	87.3 %	68.2 %
\$ 39,776	\$ 104,798	(17.5) %	22.2 %	4.5 %	12.7 %	31.8 %
\$	\$ 150,712					
\$ -0-	\$ 150,712					
\$ 39,776	\$ 255,510					
\$ 423,468	\$ 167,958					
\$ 463,244	\$ 423,468					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2020

District Mailing Address - Harris County Municipal Utility District No. 460
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended June 30, 2020	Expense Reimbursements for the year ended June 30, 2020	Title
Donald Wayne Middleton	05/18 05/22 (Elected)	\$ 900	\$ -0-	President
Cherrise Traylor	05/18 05/22 (Elected)	\$ 1,200	\$ 20	Vice President
Evan Hughes	05/20 05/24 (Elected)	\$ 900	\$ 14	Secretary
John A. Gonzales	05/20 05/24 (Elected)	\$ 1,050	\$ -0-	Assistant Secretary
Jonathan J. Gonzalez	07/18 05/22 (Appointed)	\$ 1,200	\$ 57	Assistant Secretary

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

Submission date of most recent District Registration Form: July 18, 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 March 13, 2006. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 460
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2020

	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2020</u>	<u>Title</u>
Consultants:			
Sanford Kuhl Hagan Kugle Parker Kahn LLP	03/03/10	\$ 118,106 \$ 150,465 \$ 2,384	General Counsel Bond Counsel Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot PLLC	06/23/10	\$ 11,750 \$ 11,650	Auditor Bond Related
L&S District Services, LLC	05/22/06	\$ 11,214 \$ 1,200	Bookkeeper Bond Related
LJA Engineering & Surveying, Inc.	11/09/11	\$ 55,162 \$ 20,040	Engineer Bond Related
The GMS Group, L.L.C.	03/13/06	\$ 125,665	Financial Advisor
Utility Tax Service, LLC	04/10/07	\$ 13,546	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN