OFFICIAL STATEMENT DATED FEBRUARY 9, 2022

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER, INTEREST ON THE BONDS ARE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES SUBJECT TO THE MATTERS DESCRIBED IN "TAX MATTERS' HEREIN, AND ARE NOT INCLUDED IN THE FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME OF THE OWNERS THEREOF. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District did NOT designate the Bonds as "Qualified Tax-Exempt Obligations". See "TAX MATTERS – NOT Qualified Tax- Exempt Obligations for Financial Institutions" herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 701600

RATINGS: Underlying "BBB" (stable outlook) S&P
Insured "AA" (stable outlook) S&P
See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein

$15,940,000
PARKWAY UTILITY DISTRICT
(A political subdivision of the State of Texas, located in Harris County, Texas)
WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2022

Dated: March 1, 2022 **Due: March 1 (as shown below)**

Interest on the Bonds (the "Bonds" or the "Series 2022 Refunding Bonds") will accrue from March 1, 2022, and will be payable on March 1, 2023 and each September 1 and March 1 thereafter. 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 BOKF, NA, Dallas, Texas. See "THE BONDS."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM").

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate (%)	Yield to Maturity(a)	Principal Amount	Maturity	Interest Rate (%)	Yield to Maturity(a)
$430,000	2023	4.00%	0.96%	$1,330,000	2030	4.00%	2.06%
$740,000	2024	4.00%	1.35%	$1,385,000	2031	4.00%	2.21%
$1,085,000	2025	4.00%	1.51%	$1,445,000	2032	4.00%	2.36%
$1,130,000	2026	4.00%	1.68%	$1,495,000	2033(b)	3.00%	2.45%
$1,180,000	2027	4.00%	1.75%	$1,580,000	2034(b)	3.00%	2.52%
$1,225,000	2028	4.00%	1.85%	$1,640,000	2035(b)	3.00%	2.54%
$1,275,000	2029	4.00%	1.95%				

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriters (hereinafter defined) and may be subsequently changed.

(b) The Bonds maturing on or after March 1, 2033, are subject to redemption, in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2032, 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 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."

The proceeds of the Bonds will be used by Parkway Utility District (the "District") to: (1) currently refund certain of the District's currently outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2013A and 2014; (2) currently refund certain of the District's currently outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2012, 2013 and 2015; and (3) pay issuance and administrative expenses associated with the issuance of the Bonds. 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; additionally, the Bonds are secured by a pledge of the Net Revenue of the District's System (all as defined and further described herein). See "THE BONDS – Sources of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, City of Houston, Texas, nor any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas or the City of Houston, Texas, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain RISK FACTORS 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 Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Allen Boone Humphries Robinson LLP, Houston, Texas, Underwriters' Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about March 17, 2022.

SAMCO CAPITAL **HILLTOPSECURITIES**

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesperson or other individual 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 Norton Rose Fulbright US LLP, 1301 McKinney Street, Suite 5100, Houston, Texas 77010, 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.”

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

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 final official statement for any purpose.

The following statement is provided by the Underwriters. In accordance with their responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

UNDERWRITING

Award of the Bonds

The Bonds are being purchased by SAMCO Capital Markets, Inc. and Hilltop Securities Inc. (collectively, the “Underwriters”) pursuant to a proposal submitted to the District at a price of $17,316,552.05 which represents the principal amount of the Bonds of $15,940,000.00 plus an original issue premium of $1,472,989.05 less an Underwriters discount of $96,437.00 plus accrued interest on the Bonds from the Dated Date to the date of delivery. Such price produces a net effective interest rate of 2.382560%.

The Underwriters 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 Underwriters.

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

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters 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 Underwriters 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 UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to S&P Global Ratings ("S&P") which assigned the underlying rating of "BBB" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. 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 the bond insurance, if applicable. 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 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 AGM. 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, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

Capitalization of AGM

At September 30, 2021:

- The policyholders' surplus of AGM was approximately $2,910 million.
- The contingency reserve of AGM was approximately $963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

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

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

Miscellaneous Matters

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement.

THE BONDS

Description: The Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2022 (the "Series 2022 Refunding Bonds" or the “Bonds”), are dated March 1, 2022 and issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, an election held within the District, and an order (the "Bond Order") of the Board of Directors of Parkway Utility District (the "District").

The Bonds mature on March 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1, 2023 and each September 1 and March 1 until maturity or prior redemption.

Authority for Issuance: The District has issued fifteen installments of $88,455,000 in bonds for waterworks, sanitary sewer and drainage facilities authorized during various elections held within the District for that purpose in 1971, 1973, 1981, 2004 and 2016. In addition, $9,750,000 unlimited tax park bonds were authorized during an election in 2018, none of which have been issued. After issuance of the Bonds, an aggregate of $33,015,000 principal amount of bonds for waterworks, sanitary sewer and drainage facilities will remain authorized but unissued as well as the $9,750,000 bonds for parks and recreational facilities. Additionally, unlimited tax and revenue refunding bonds in the amount of 150% of the remaining outstanding bonds have been authorized by the District’s voters. See “Issuance of Additional Debt.”

Redemption Provisions: The Bonds maturing on or after March 1, 2033, are subject to early redemption, in whole from time to time or part, on March 1, 2032, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Optional Redemption.”

Book-Entry-Only System: The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. So long as Cede & Co., as the Paying Agent to DTC, is the registered owner of the Bonds, 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."

Risk Factors: The Bonds are subject to certain risk factors 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" and “LEGAL MATTERS.”

Sources of Payment: The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. See "TAXING PROCEDURES." With respect to payment from taxes, the Bonds are further payable equally and ratably with outstanding bonds of the District and with bonds to be issued in the future by the District. Additionally, the Bonds are secured by the Net Revenues (hereinafter defined) of the District’s waterworks, sanitary sewer and drainage system (the “System”). See "THE BONDS -- Sources of and Security for Payment." The Bonds are obligations of the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any other political subdivision or agency. See "THE BONDS -- Sources of and Security for Payment."

Plan of Financing: Proceeds from the sale of the Bonds will be used to: (1) currently refund certain of the District’s currently outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2013A and 2014; (2) currently refund collectively, together with the Series 2013A and Series 2014 (the "Refunded Bonds") certain of the District’s currently outstanding Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2012, 2013 and 2015; and (3) pay issuance and administrative expenses associated with the issuance of the Bonds. See "PLAN OF FINANCING."

Municipal Bond Rating: In connection with the sale of the Bonds the District has made application to S&P which assigned the underlying rating of “BBB” (stable outlook) on the 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 AGM. See "BOND INSURANCE," "MUNICIPAL BOND RATING," and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

Payment Record: The District has never defaulted on the payment of interest or principal on its outstanding bonds. See "THE BONDS."

NOT Qualified Tax Exempt Obligations: The District did NOT designate the Bonds as "qualified tax-exempt obligations". See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations for Financial Institutions."

Paying Agent/Registrar: BOKF, NA, Dallas, Texas.

Legal Opinion: Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel.

Verification Agent: Robert Thomas CPA, LLC.

THE DISTRICT

Description: The District was created by an Act of the 61st Legislature of the State of Texas, Regular Session, 1969, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 819 acres. See "THE DISTRICT." Located approximately eleven miles northeast of downtown Houston and approximately one mile east of the City of Houston's city limits, the District is located approximately one mile north of the intersection of U.S. Highway 90 and C.E. King Parkway. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Sheldon Independent School District. See "THE DISTRICT."

Status of Development: The District is being developed primarily as a single-family residential subdivision. As of January 1, 2022, the District served approximately 2,383 single-family homes (2,337 of which were occupied), 3 multi-family connections (including 234 apartment units), 18 commercial and 26 other accounts (including a school and a church). See "THE DISTRICT."

The System: The District currently owns a complete water plant, with a 1,093 gallon per minute ("gpm") water well (the TCEQ also recognizes the City as providing an additional 666 gpm of potable water, to be increased to 1,041 gpm with proceeds of the outstanding Bonds), 730,000 gallons of ground storage in two tanks, two hydropneumatic tanks with 40,000 gallons of capacity, four 2,000 gpm service pumps, disinfectant facilities, electrical controls, emergency diesel generator and appurtenant equipment. The plant is in relatively good operating condition and can be expected to adequately serve approximately 3,556 ESFCs.

The District jointly owns, with Greenwood Utility District ("Greenwood"), a wastewater treatment plant ("WWTP") rated at 950,000 gallons per day ("gpd") that is operated by Greenwood. The District presently owns 558,790 gpd of the total capacity and Greenwood owns 379,210 gpd. With the expansion of the WWTP from proceeds of the Outstanding Bonds, the District will own 1,125,000 gpd and Greenwood, 750,000 gpd.

All developed areas within the District have underground storm sewers that eventually discharge into storm water detention basins or an open channel drainage system.

Summary of Land Use: As of January 1, 2022, the approximate land use in the District is in the table below:

Type of Land Use	Approximate Acres	
Fully Developed Acres	588	
Acres Currently Being Developed	0	
Additional Developable Acreage	55	
Other Undevelopable Acres	176	(a)
Total Approximate Acres	**819**	

(a) Includes undevelopable acres for easements, open space, wetlands, water plant site, and public use rights-of-way.

Infectious Disease Outlook (COVID-19): In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions. See “RISK FACTORS - Infectious Disease Outlook (COVID-19).”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE INVESTORS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Certified Taxable Value	$440,851,407	(a)
Direct Debt (See “DISTRICT DEBT”)		
Outstanding Bonds (as of March 1, 2022)	$20,140,000	(b)
Plus the Series 2022 Refunding Bonds	$15,940,000	
Total Direct Debt	$36,080,000	
Estimated Overlapping Debt	$31,374,313	(c)
Direct and Estimated Overlapping Debt	$67,454,313	
Percentage of Direct Debt to:		
2021 Certified Taxable Value	4.30%	
See “DISTRICT DEBT”		
Percentage of Direct and Overlapping Debt to:		
2021 Certified Taxable Value	15.30%	
See “DISTRICT DEBT”		
2021 Tax Rate Per $100 of Assessed Value:		
Debt Service	$0.49	
Maintenance Tax	$0.22	
Total 2021 Tax Rate	$0.71	
Approximate General Fund Cash Balance (12-8-2021)	$3,136,182	(d)
Approximate Debt Service Fund Cash Balance (12-8-2021)	$1,563,735	(e)

(a) Reflects the 2021 Certified Taxable Value according to data supplied to the District by HCAD. See “TAX DATA” and “TAXING PROCEDURES”

(b) Excludes the Refunded Bonds. See “PLAN OF FINANCING”.

(c) See “DISTRICT DEBT – Estimated Overlapping Debt.”

(d) Unaudited figure per the District’s records.

(e) Unaudited figure per the District’s records. Neither Texas law nor the District’s Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See “TAX DATA – Tax Adequacy for Debt Service.”

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's outstanding bonds, less the debt service on the Refunded Bonds, plus the debt service requirements on the Bonds. See "TAX DATA – Tax Adequacy for Debt Service".

			Plus: Debt Service on the Refunding Bonds		
Year	Existing Debt Service Requirements	LESS: Debt Service on the Refunded Bonds	Principal	Interest	Total Debt Service Requirements
2022	$2,314,848	$305,816			$2,009,032
2023	$2,313,831	$1,391,231	$430,000	$877,075	$2,229,675
2024	$2,311,325	$1,384,931	$740,000	$558,450	$2,224,844
2025	$2,312,506	$1,693,013	$1,085,000	$521,950	$2,226,443
2026	$2,312,194	$1,695,100	$1,130,000	$477,650	$2,224,744
2027	$2,310,278	$1,695,509	$1,180,000	$431,450	$2,226,219
2028	$2,309,531	$1,692,069	$1,225,000	$383,350	$2,225,812
2029	$2,309,928	$1,694,828	$1,275,000	$333,350	$2,223,450
2030	$2,312,838	$1,695,209	$1,330,000	$281,250	$2,228,879
2031	$2,312,581	$1,697,534	$1,385,000	$226,950	$2,226,997
2032	$2,310,822	$1,698,384	$1,445,000	$170,350	$2,227,788
2033	$2,312,594	$1,697,913	$1,495,000	$119,025	$2,228,706
2034	$2,312,000	$1,739,694	$1,580,000	$72,900	$2,225,206
2035	$2,311,731	$1,751,175	$1,640,000	$24,600	$2,225,156
2036	$2,312,119				$2,312,119
2037	$2,251,556				$2,251,556
2038	$2,263,747				$2,263,747
2039	$2,273,216				$2,273,216
2040	$2,281,109				$2,281,109
2041	$2,286,131				$2,286,131
2042	$2,298,106				$2,298,106
2043	$2,303,225				$2,303,225
2044	$2,316,419				$2,316,419
	$52,952,635	**$21,832,406**	**$15,940,000**	**$4,478,350**	**$51,538,579**

Maximum Annual Debt Service Requirements (2044) ………………………………………………….. $2,316,419

$0.56 Tax Rate on the 2021 Taxable Value of $440,851,407
@ 95% collections produces... ………………… $2,345,329

$15,940,000

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

Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds

Series 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2022 (the "Bonds") or (the “Series 2022 Refunding Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, specifically Chapters 49 and 54, Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, City of Houston Ordinance No. 97-416, an election held within and for the District on May 7, 2005, and an order (the "Bond Order") adopted by the Board of Directors of Parkway Utility District (the "District"), a political subdivision of the State of Texas located within Harris County, Texas. This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. 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 the District's Bond Counsel upon payment of costs of duplication thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, Texas, or any other political subdivision other than the District. The Bonds are secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Additionally, the bonds are secured by a pledge of the Net Revenues of the System (all as defined and further explained herein). See “THE BONDS – Sources of and Security for Payment.” The security for payment of the principal or of interest on the Bonds depends on the District's ability to collect taxes levied against property within the District in an amount sufficient to pay debt service on the Bonds when due. The District makes no representation that over the term of the Bonds taxable property within the District will maintain values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property if the District forecloses on property subject to the District's tax lien. Further, the collection of delinquent taxes due the District, and the enforcement by a bondholder of the District's obligation to collect sufficient taxes, may be costly and lengthy processes. See " - Tax Collections" and " - Registered Owners' Remedies" herein and "THE BONDS--Sources of and Security for Payment."

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

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 ad valorem tax levy constitutes a lien on the property against which taxes are levied in favor of the District. Such lien is on a parity with the liens of all other state and local taxing authorities on such property and may be enforced by foreclosure. However, ad valorem tax collection through foreclosure may be impaired by: (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures, (c) market conditions affecting the marketability of taxable property within the District at foreclosure sale of such property, (d) adverse effects on marketability from a taxpayer's limited right to redeem its foreclosed property, (e) sale or transfer of personal property to bona fide purchasers, or (f) insufficient foreclosure proceeds to satisfy the tax liens of all state and local taxing authorities with parity liens on the property.

While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney’s fees and other costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages. 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 a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Economic Factors

The maintenance of taxable values in the District is directly related to the local housing and building industry. The housing/ building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. A return of relatively high mortgage interest rates may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

The availability of mortgage and development funds have a direct impact on construction and building 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 affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and therefore taxable value in the District.

The Houston metropolitan area has, during the past, experienced economic downturns (especially during periods of relatively low oil and natural gas prices). These factors could affect the demand for residential homes and commercial development and hence the maintenance of property values or the maintenance of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, could have an adverse impact on sale prices for homes and, consequently, could materially adversely affect property values or, in some instances, cause builders to abandon home building plans altogether.

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 Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Dependence on Construction of Future Improvements

In 2021, the District levied a debt service tax and an operation and maintenance tax for a total tax rate of $0.71 per $100 of assessed valuation. Tax rates in future years may be higher. Should no development occur in the District beyond that reflected by its 2021 Taxable Valuation, a debt service tax rate of $0.56 per $100 assessed valuation at 95% collection, would be required to pay the District's maximum annual debt service requirements, including the Bonds. See "– Future Debt" herein and "TAX DATA -- Tax Adequacy for Debt Service."

Landowners/Developer under No Obligation to the District

The Developer have informed the District of its current plans to continue to develop land in the District. However, neither the Developer nor any other landowner within the District has any commitments or obligations to proceeds 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 Developer) to sell its land. Failure to construct taxable improvements on developed lots (currently existing or anticipated to be created by the Developer) or on 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 "TAX DATA – Principal Taxpayers."

Future Debt

The District has $33,015,000 in authorized but unissued waterworks and sewer system combination unlimited tax and revenue bonds and has another $9,750,000 authorized but unissued unlimited tax park bonds. The District has the right to issue such bonds and such additional bonds as may hereafter be approved by both the Board and voters of the District. The remaining authorized but unissued bonds may be issued by the District from time to time as needed.

According to Jones & Carter, Inc., the District's consulting engineer (the "Engineer"), the remaining authorized but unissued bonds will be sufficient to extend the utility system to the remaining undeveloped acres within the District. Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District's annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, the Outstanding Bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the System therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

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, unless certain circumstances are met, the outstanding principal amount of such bonds generally may not exceed an amount equal to one percent of the value of the taxable property in the District. As noted above, the District currently has $9,750,000 authorized but unissued park bonds.

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 original issuance. See "LEGAL MATTERS."

Marketability

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

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.

Environmental Regulations

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

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

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

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

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 non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

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

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

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

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States." Due to existing and possible future litigation and regulatory action, 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

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

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

Inclement Weather

The District is located approximately 90 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 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.

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.

Recent Extreme Weather Events; Hurricane Harvey

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

The Houston area (including Harris County) sustained widespread rain and flooding damage 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 observations of the District's Operator and the District's Engineer, the District's System did not sustain any significant damage and there was no interruption of water and sewer service for District customers as a result of the storm. However, to the best knowledge of the District, approximately 500 homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey; approximately 15 homes experienced flooding during Tropical Storm Imelda. To the best knowledge of the District, approximately 85% of the damaged properties have been totally rehabilitated. That approximately 15% of the damaged properties are currently inhabited but continue to require additional rehabilitation work.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance). Flood casualties are usually expected from coverage unless specific flood insurance is purchased. The District cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damages to 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.

Winter Storm Uri

Recent Winter Weather Event - Between February 14 and February 19, 2021, the State of Texas experienced a severe winter storm causing widespread, record breaking cold temperatures throughout the State. As a result of the winter storm, there were widespread disruptions to the operations of Texas electric and gas utilities, which have been widely reported in the press, and approximately four million Texas residents lost power for significant portions of the week. The power outages caused water pipes to burst, resulting in damage to many structures, and in some areas affected the safety of the public water supply for a period of time. The President declared a major disaster in the State, making disaster assistance from the Federal Emergency Management Agency ("FEMA") available to homeowners and businesses which sustained damage. The District did not experience any financial loss related to the storm. While the District continues to assess the overall impact of the storm, the District does not anticipate a material adverse impact on its operations or financial condition as a result of the storm. There are special taxing procedures for areas declared to be disaster area which could affect the amount of taxes due and when they are collected. See "TAXING PROCEDURES—Valuation of Property for Taxation" and "—Delinquent Tax Payments for Disaster Areas."

Temporary Tax Exemption for Property Damaged by Disaster

The 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% physically 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 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.

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.

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Harris County Floodplain Regulations

As a direct result of Hurricane Harvey, Harris County 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.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures (which currently apply within the District) 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 new and amended Harris County regulations may have a negative impact on new development in and round the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based 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.

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 "INSURED MUNICIPAL BOND RATING" 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.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to Bond Counsel. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will bear interest at the per annum rates and are scheduled to mature on March 1 in the years and as to the principal amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds accrues from March 1, 2022, and will be payable on March 1, 2023, and each September 1 and March 1 thereafter until maturity or earlier redemption. Such interest on the Bonds due on each interest payment date will be payable to the persons in whose names such Bonds are registered (the "Registered Owner") as of the 15th day (whether or not a business day) of the calendar month prior to each interest payment date (the "Record Date").

Principal and redemption price of the Bonds are payable at the principal payment office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") upon presentation and surrender of the Bonds.

The Bonds of each maturity will be issued in fully registered form in the denominations of principal equal to $5,000 or any integral multiple thereof.

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. So long as Cede & Co., as the Paying Agent to DTC, is the registered owner of the Bonds, 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 beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

If the date for payment of the principal or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority for Issuance

The Bonds are issued by the District pursuant to the bond election held on May 7, 2005, which provides for the issuance of unlimited tax and revenue refunding bonds in amounts equal to 150% of the outstanding bonds. Additionally, the Bonds are issued pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, and general laws of the State of Texas, and specifically, Chapters 49 and 54, Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, and City of Houston Ordinance 97-416.

Optional Redemption

The Bonds with stated maturities on and after March 1, 2033, may be redeemed at the option of the District on notice mailed to the Registered Owners thereof not less than 30 days prior to the Redemption Date as provided in the Bond Order, as a whole or from time to time in part on any date prior to their stated maturity, but not before March 1, 2032, upon payment of the redemption price which will be the principal amount thereof together with interest, if any, accrued thereon from the most recent interest payment date to the redemption date. If fewer than all of the Bonds 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.

Notice of Redemption

Notice of redemption shall be mailed by the Paying Agent/Registrar in the name and at the expense of the District, not less than 30 days prior to the redemption date, to each registered owner of Bonds to be redeemed. All notices of redemption shall state:

1. the redemption date;
2. the redemption price;
3. the principal amount and identification (by CUSIP number (if obtained for the Bonds), stated maturity, interest rate, dated date, and, in the case of partial redemption within a stated maturity, the respective Bond numbers and principal amounts) of Bonds to be redeemed;
4. that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date; and
5. that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment. The notice of redemption must state if redemption is conditioned on issuance of refunding bonds or other obligations to pay the redemption price.

Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof) and upon any partial redemption of any such Bond the same shall be surrendered in exchange for one or more new Bonds of the same Stated Maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the Redemption Date.

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing, annual ad valorem tax levied, without legal limitation as to rate or amount, levied against taxable property located within the District. Additionally, the Bonds are secured by the Net Revenues (hereinafter defined) of the District's waterworks, sanitary sewer and drainage system (the “System”) In the Bond Order, the District covenants to levy a tax sufficient in amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will then be deposited in the District's bond fund and used solely to pay principal of and interest on the Bonds, the District's outstanding bonds, and on any additional bonds payable from taxes which the District may hereafter issue.

As noted in the paragraph above the Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the District’s waterworks, sanitary sewer and drainage system (the “System”). “*Net Revenues”* means all income or increment which may grow out of the ownership and operation of the System, and improvements (as same are purchased, constructed, or otherwise acquired), being the gross revenue income less such portion of such revenue income as reasonably may be required to provide for the administration, efficient operation, and adequate maintenance of the System, and less that portion thereof derived from special projects contracts with private corporations, municipalities, or political subdivisions which, under the terms of the authorizing resolutions, may be pledged for the requirements of the District’s revenue bonds issued particularly to finance the facilities needed in performing any such contracts.

Defeasance

Any Bond is deemed to be paid and is no longer be considered to be a Bond, within the meaning of the Bond Order, when payment of the principal of and interest on such Bond to the maturity date thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the redemption date which has been made, or provided for, by deposit with the Paying Agent/Registrar (or with any other bank or trust company which has agreed to hold the same for such purpose) for such payment of: (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, *provided* that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

Any money and Governmental Obligations deposited for such purpose shall be held by the Paying Agent/Registrar (or other bank or trust company) with which such deposit is made in a segregated account in trust or escrow for the Registered Owners of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on such Bonds when due, *except* that cash receipts may be withdrawn and paid to the District provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in this Section. No money or Governmental Obligations so deposited shall be invested or reinvested unless in Governmental Obligations and unless such money and Governmental Obligations not invested and such new investments are together certified by an independent public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

"*Governmental Obligations*" means: (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody's Investors Service or Standard & Poor's Corporation, or any successor to the bond operations of either of such corporations, *but* in the case of both *Clauses* (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Funds

The Bond Order confirms the previous establishment of the District's Bond Fund. The Bond Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar.

Issuance of Additional Debt

If authorized by the District's voters and by the Board, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." At Bond Elections held within the District, the District's voters authorized the issuance of $88,455,000 principal amount of Unlimited Tax and Revenue Bonds of which $33,015,000 remain authorized but unissued. Additionally, the voters in the District have authorized $9,750,000 principal amount of Unlimited Tax Park Bonds, all of which remain authorized but unissued The District may authorize additional amounts in future elections. It is currently anticipated that the current bond authorizations are adequate to fund the District's share of facility costs to complete the development of the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District. In the Bond Order the District further reserves the right to issue revenue bonds, inferior lien bonds, refunding bonds and other obligations.

Successor Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District agrees in the Bond Order to at all times maintain an agency, meeting the qualifications therein described, for the performance of the duties of the Paying Agent/Registrar. The Paying Agent/Registrar may be removed from its duties at any time with or without cause by action of the Board of Directors of the District with not less than 30 days' notice to each Bond Registered Owner specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor Paying Agent/Registrar, but no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar hereunder by written instrument.

The Bond Order requires that every Paying Agent/Registrar will at all times be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $10,000,000, subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission.

Registration, Transfer, and Exchange

Upon surrender for transfer of any Bond at the place of payment, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment.

Whenever any Bonds are so surrendered for exchange, the District shall execute, and the Paying Agent/Registrar shall authenticate and deliver, the Bonds which the Registered Owners of Bonds making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the District, evidencing the same debt, and entitled to the same benefits under the Order, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the District and the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge shall be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds hereunder and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Replacement of Mutilated, Lost or Stolen Bonds

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District will execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon nor guarantee the safety or appropriateness of the Bonds as an investment, nor pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments

The District may, without the consent of or notice to any Registered Owner, from time to time and at any time amend the Bond Order in any manner not detrimental to the interests of the Registered Owners of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order except that, notwithstanding the foregoing, without the consent of the Registered Owners of all of the affected Outstanding Bonds, no such amendment, addition, or rescission may (1) change the Stated Maturity of the Bonds or any installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions governing amendments, except to increase the percentage provided hereby or to provide that certain other provisions of the Bond Order cannot be modified or waived.

Any consent to any amendment of the Bond Order by the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

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 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 do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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"). 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, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 detail 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 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, but none of the District, the Financial Advisor or the Underwriter takes 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.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used to: (1) currently refund certain of the District's currently outstanding Unlimited Tax and Revenue Bonds Series 2013A and 2014; (2) currently refund collectively, together with the Series 2013A and Series 2014 (the "Refunded Bonds") certain of the District's currently outstanding Unlimited Tax and Revenue Refunding Bonds Series 2012, 2013, and 2015; and (3) pay issuance and administrative expenses associated with the issuance of the Series 2022 Refunding Bonds.

The District's currently Outstanding Bonds excluding the Refunded Bonds (the "Remaining Outstanding Bonds") totaling $20,140,000 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 March 1 in the years 2024 through 2035, will be redeemed at par in advance of their respective maturities on the day of closing of the Bonds.

Outstanding Bonds

The table below summarizes the District's previously issued series of bonds, the principal amount outstanding from each series Bonds as of March 1, 2022 (after the payment of the bonds maturing on March 1 from each of the respective series of previously issued bonds).

Original Principal Amount	Series	Principal Amount Outstanding	Principal Amount Outstanding After the Bonds
$1,500,000	WW & SS Combine U/L Tax & Rev Bonds, Series 1971	$0	$0
$2,000,000	WW & SS Combine U/L Tax & Rev Bonds, Series 1982	$0	$0
$1,250,000	WW & SS Combine U/L Tax & Rev Bonds, Series 1983	$0	$0
$3,965,000	WW & SS Combine U/L Tax & Rev Bonds, Series 1998-B	$0	$0
$465,000	WW & SS Combine U/L Tax & Rev Bonds, Series 1998-A	$0	$0
$710,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2001-A	$0	$0
$1,360,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2002	$0	$0
$2,340,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2003	$0	$0
$2,825,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2004	$0	$0
$1,235,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2005	$0	$0
$2,610,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2005-A	$0	$0
$8,995,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2006	$0	$0
$3,405,000	WW & SS Combine U/L Tax & Rev Ref Bonds, Series 2011	$0	$0
$4,890,000	WW & SS Combine U/L Tax & Rev Ref Bonds, Series 2012	$3,480,000	$0
$4,150,000	WW & SS Combine U/L Tax & Rev Ref Bonds, Series 2013	$3,775,000	$0
$2,850,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2013	$1,525,000	$0
$3,325,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2014	$2,905,000	$0
$8,005,000	WW & SS Combine U/L Tax & Rev Ref Bonds, Series 2015	$6,015,000	$590,000
$3,260,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2016	$2,840,000	$2,840,000
$16,750,000	WW & SS Combine U/L Tax & Rev Bonds, Series 2020	$16,710,000	$16,710,000
$46,635,000		**$37,250,000**	**$20,140,000**

Refunded Bonds

Proceeds of the Bonds will be applied to currently refund in the aggregate $17,110,000 principal amount of the bonds as reflected in the table below. Such refunded bonds are referred to herein as 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 March 1 in the years shown. The Refunded Bonds will be called for redemption on the closing date of the Series 2022 Refunding Bonds.

Years	Series 2012 Tax & Rev Ref Bonds Principal Amount	Series 2013 Tax & Rev Ref Bonds Principal Amount	Series 2013 Tax & Rev Bonds Principal Amount		Series 2014 Tax & Rev Bonds Principal Amount	Series 2015 Tax & Rev Ref Bonds Principal Amount
2023	$640,000	$40,000	$50,000		$65,000	
2024	$665,000	$40,000	$50,000		$65,000	
2025	$695,000	$40,000	$45,000		$70,000	$315,000
2026	$725,000	$40,000	$40,000		$75,000	$330,000
2027	$755,000	$40,000	$45,000		$75,000	$340,000
2028		$840,000	$25,000		$70,000	$360,000
2029		$875,000	$20,000		$75,000	$370,000
2030		$910,000	$15,000		$75,000	$385,000
2031		$950,000	$10,000		$75,000	$400,000
2032			-		$65,000	$1,425,000
2033			-		$50,000	$1,500,000
2034			$1,225,000	(a)	$425,000	
2035					$1,720,000	
	$3,480,000	**$3,775,000**	**$1,525,000**		**$2,905,000**	**$5,425,000**

(a) Represents the $1,225,000 Term Bond with mandatory sinking fund provisions beginning in 2032 through and including the 2034 maturity.

Defeasance of the Refunded Bonds

By the deposit of cash with the paying agents for each of the respective paying agents for each series of the Refunded Bonds, the District will have affected the defeasance of the Refunded Bonds pursuant to the terms of the bond orders authorizing the issuance of each series 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	$15,940,000.00
Plus Original Issue Premium	$1,472,989.05
Plus Accrued Interest	$26,242.22
Plus District Cash	$245,000.00
Total Sources of Funds	**$17,684,231.27**
Uses of Funds:	
Deposit to Refund Bonds	$17,137,183.61
Issuance Expenses (a)	$424,368.44
Underwriter's Discount	$96,437.00
Accrued Interest	$26,242.22
Total Uses of Funds	**$17,684,231.27**

(a) Includes the municipal bond insurance premium.

THE DISTRICT

Authority, Purpose, and Functions

The District is vested with all of the rights, privileges, authority, and functions conferred by Article XVI, Section 59 of the Texas Constitution and the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City of Houston and the TCEQ and the District's voters of the District's plans in such regard. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

Description and Location

Parkway Utility District was created by Acts of the 61st Legislature of the State of Texas, Regular Session, 1969, pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution. The District was converted from a water control and improvement district by order of the Texas Water Rights Commission, predecessor to the TCEQ, dated April 23, 1976, adopting the provisions of Chapter 54 of the Texas Water Code as a municipal utility district. The District was originally created with approximately 571.394 acres. With annexations in 1981, 2005, 2007, 2011 and 2013, the District currently comprises approximately 819.249 acres. Located approximately eleven miles northeast of downtown Houston and approximately one mile east of the City of Houston's city limits, the District is about one mile north of the intersection of U.S. Highway 90 and C.E. King Parkway. The District is being developed primarily as a single-family residential subdivision. As of January 1, 2022, the District served 2,383 single-family homes (2,337 of which were occupied), 3 multi-family connections (representing 234 apartment units), 18 commercial connections and 26 other accounts.

Summary of Land Use

A summary of the approximate land use in the District appears in the following table as of January 1, 2022:

Type of Land Use	**Approximate Acres**	
Fully Developed Acres	588	
Acres Currently Being Developed	0	
Additional Developable Acreage	55	
Other Undevelopable Acres	176	(a)
Total Approximate Acres	**819**	

(a) Includes undevelopable acres for easements, open space, wetlands, water plant site, and public use rights-of-way.

Management of the District

The District is governed by the Board, which has control over and management supervision of all affairs of the District. All of the Directors own property and reside within the District. A directors' election is held within the District on the first Saturday in May in even numbered years. Directors are elected to serve four-year, staggered terms. The current members and officers of the Board are listed below:

Name	Title	Term Expires
Brenda McNeil	President	2024
Alphonso P. Rettig, Jr.	Vice President	2024
Vacant	Secretary	
Ron Everhart	Assistant Secretary	2022
Gloria Woods	Director	2022

Tax Assessor/Collector - The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under a one-year contract and represents approximately 100 utility districts.

Bookkeeper - The District's Bookkeeper is McLennan & Associates, L.P. which acts as bookkeeper for approximately 30 special districts.

Engineer - The consulting engineer for the District is Jones & Carter. (the "Engineer).

Auditor - The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as its independent auditor. A copy of the District's audit for the fiscal year ended December 31, 2020, is included in Appendix A hereto.

Financial Advisor - The GMS Group, L.L.C., serves as Financial Advisor to the District and is paid an hourly consulting fee for certain services rendered from time to time. The GMS Group, L.L.C., has served in the capacity as Financial Advisor relative to the issuance of the Bonds and will be paid a fee from Bond proceeds contingent upon the sale and delivery of the Bonds.

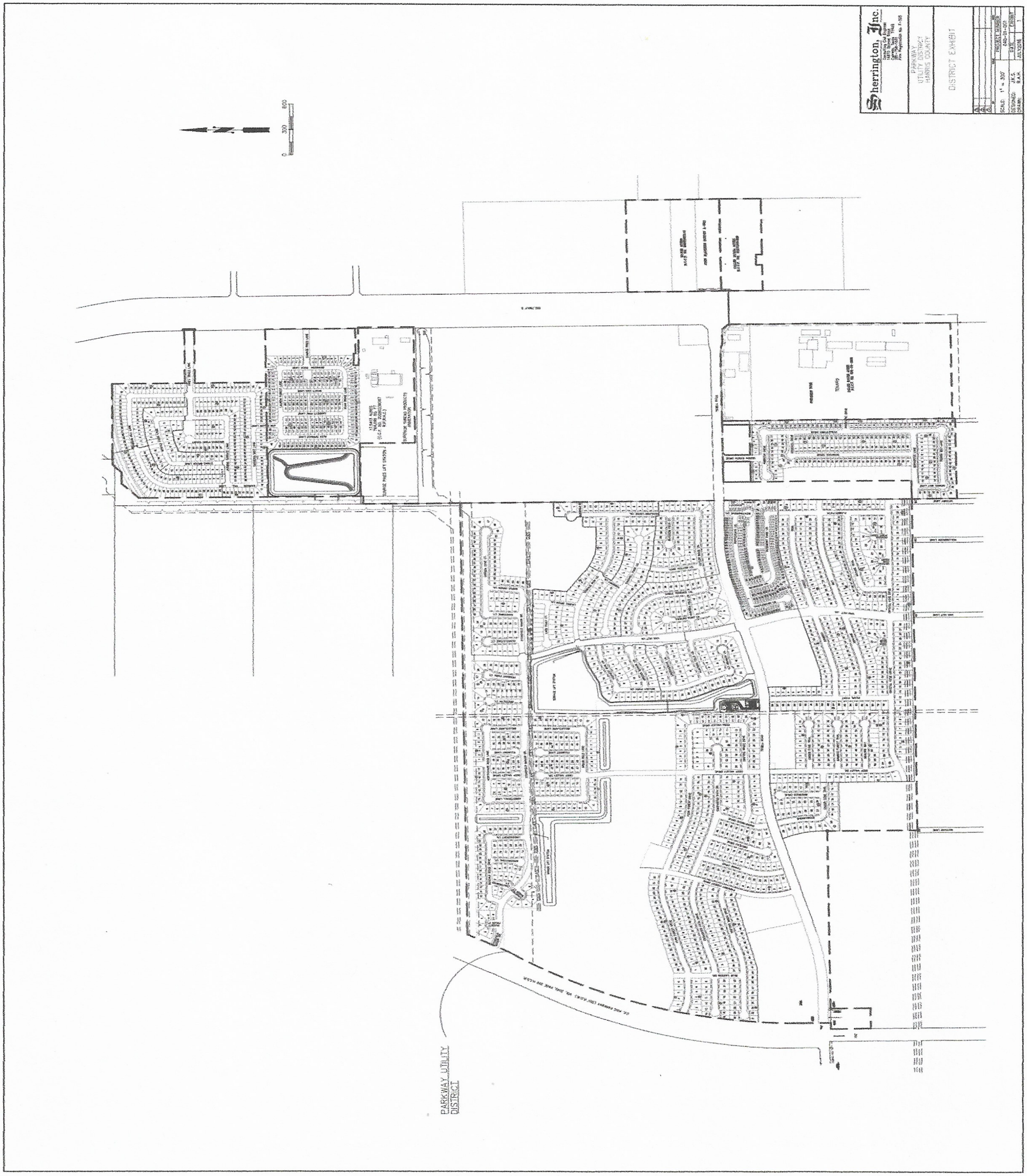
Legal Counsel - The District has employed Norton Rose Fulbright US LLP Houston, Texas, as bond counsel in connection with the issuance of the Bonds. The legal fee to be paid bond counsel for service rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent on the sale and delivery of the Bonds. Norton Rose Fulbright US LLP also represents the District as General Counsel and fees are not contingent on the sale and delivery of the Bonds.

Investments of the District

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

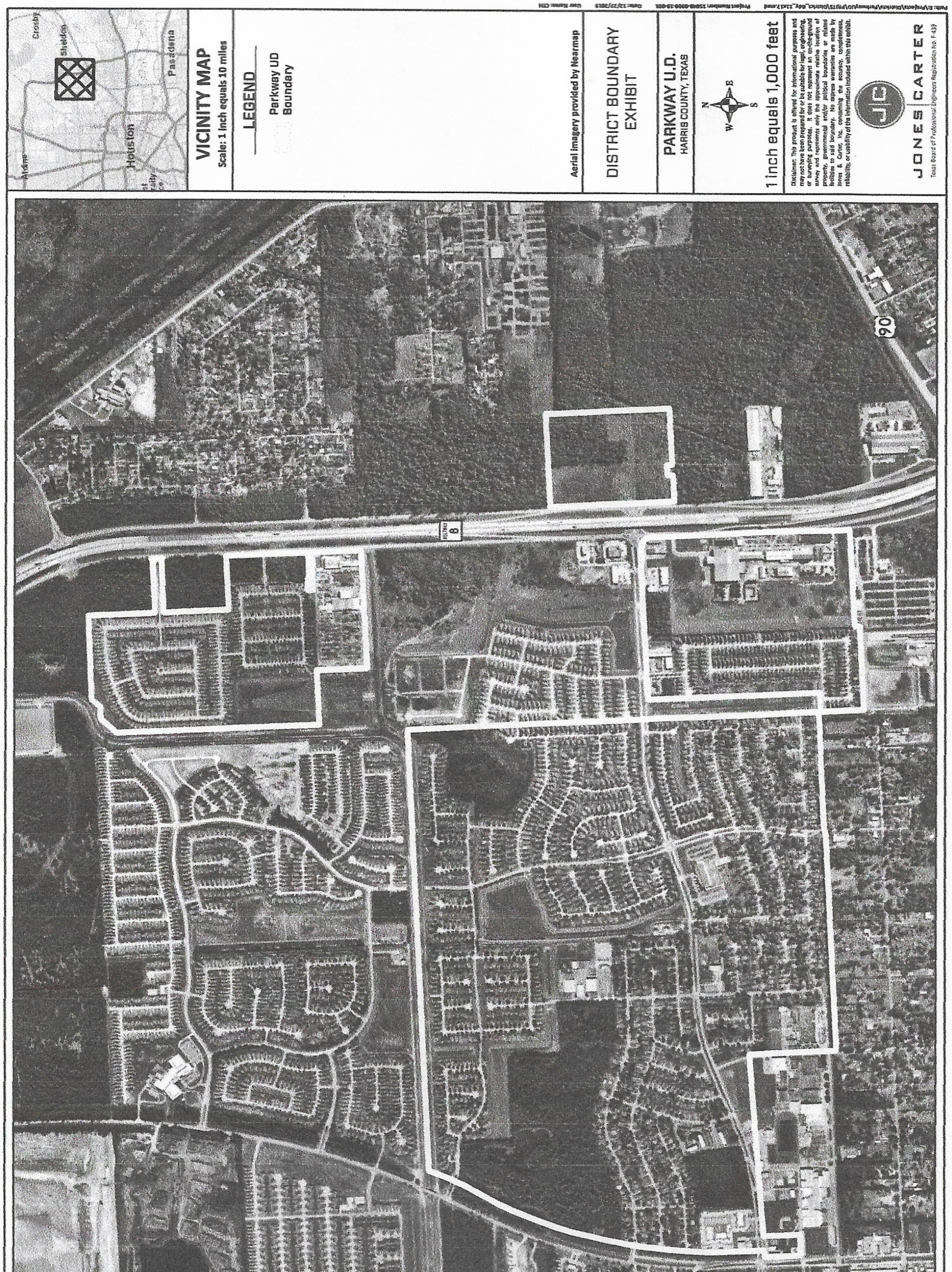
DISTRICT MAP:

Map of the District



AERIAL PHOTOGRAPH:

Map of the District



THE SYSTEM

Regulation

The water and wastewater facilities serving land within the District have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston and the Harris County Engineering Department. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies. Operation of the District's System is subject to regulation by, among others, the United States Environmental Protection Agency ("EPA") and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

According to the District's Engineer, the total number of connections projected for the District at full development of approximately 819 acres located in the District is 3,750 equivalent single-family connections ("ESFC") to serve the projected population of approximately 11,500 persons. A description of the primary components of the System follows and is based upon information supplied by the Engineer based on drawings and data furnished by others.

Proceeds of the sale of the Outstanding Bonds were used to finance the construction or acquisition of underground water supply, water distribution lines, a water transmission line and appurtenances to facilitate purchase of surface water from the City of Houston, wastewater collection lines, a wastewater treatment plant, lift stations, detention facilities and stormwater drainage facilities to serve an aggregate of 2,563 ESFCs, comprised of fully developed single-family lots in the District, a small number of multi-family units, church, commercial and school, for a total of approximately 587.8 acres currently developed within the District. With respect to the remaining approximately 55.2 developable acres within the District, future bonds will provide for the reimbursement to developers for the underground utilities constructed to serve such acreage. Approximately 176.2 acres of land within the District are designated for public use, rights-of-way, open space, wetlands, easements and the water plant site, thus are not considered developable. The major trunk sewers and distribution lines were previously constructed to serve existing and future development; other lines will be added as development occurs.

- Wastewater System -

The District jointly owns, with Greenwood Utility District ("Greenwood"), a wastewater treatment plant ("WWTP") rated at 950,000 gallons per day ("gpd") that is operated by Greenwood. The District presently owns 558,790 gpd of the total capacity and Greenwood owns 379,210 gpd. With the expansion of the WWTP from proceeds of the Outstanding Bonds, the District will own 1,125,000 gpd and Greenwood, 750,000 gpd. The District's share of the WWTP is currently capable of serving a minimum of 3,750 equivalent connections. The two districts have a contractual agreement whereby each district pays a fair share of capital improvements and operating costs.

A fully developed wastewater collection system was constructed using proceeds of the Outstanding Bonds. Sewer mains along Tidwell Road were sized to accommodate ultimate development, as currently planned, of the District. A 24" gravity sanitary sewer extends to the west along Tidwell Road to the WWTP. Additional sewer laterals will be constructed in the future as needed to serve development. Seven in-line lift stations, each with an emergency natural gas generator, are owned and operated by the District.

- Water System -

The District currently owns a complete water plant, with a 1,093 gallon per minute ("gpm") water well (the TCEQ also recognizes the City of Houston as providing an additional 666 gpm of potable water, to be increased to 1,041 gpm with proceeds of the Outstanding Bonds), 730,000 gallons of ground storage in two tanks, two hydropneumatic tanks with 40,000 gallons of capacity, four 2,000 gpm service pumps, disinfectant facilities, electrical controls, emergency diesel generator and appurtenant equipment. The plant is in relatively good operating condition and can be expected to adequately serve approximately 3,556 ESFCs.

Although the District contracts with the City of Houston for potable water, at the rate of $3.064 per thousand gallons, to supply 80% of the District's needs, the existing water plant remains in operation to supply water for the balance of its needs, to supply water during periods of peak demands, and to provide reliability in the event transfer of water from City of Houston lines is interrupted for any reason.

Water mains were constructed within the boundaries of the District and were sized to accommodate future development. Lateral lines were constructed to serve the developed areas; additional lines must be constructed to serve areas to be developed in the future.

The District has an existing metered interconnect with Greenwood. The interconnect line along Tidwell Road transfers treated surface water purchased from the City of Houston, either directly to the District's ground storage tanks for repressurization or in an emergency, into the District's water distribution system and to each other when supply is interrupted in either district.

- Stormwater Drainage -

All developed areas within the District have underground storm sewers that eventually discharge into storm water detention basins or an open channel drainage system. The storm sewer system was developed using proceeds of the Outstanding Bonds. Harris

County has operation of some of the underground storm sewers; the Harris County Flood Control District maintains the open channel drainage system and the District maintains the basins.

According to the District's Engineer, the current Federal Emergency Management Agency Flood Insurance Rate Map ("FIRM") (Panels 705 and 710, Map No. 48201C0705L and Map No. 48201C0710L, effective date, June 18, 2007

The District is a party to several contracts and agreements, summarized in part below. Copies of such contracts and agreements may be obtained from the District upon request.

-Waste Disposal Agreements-

The District is a party to a wastewater treatment agreement entered into on December 20, 1998 and amended and restated on July 9, 2019. Under such agreement, once Phase 1 of the wastewater treatment plant expansion (to be financed with proceeds of the Outstanding Bonds and a similar Greenwood bond issue) is completed, the District will own 1,125,000 gpd (60%) and Greenwood will own 750,000 gpd (40%) of the total 1,875,000 gpd plant. The District operates the plant and the agreement calls for each district to share capital project costs and fixed operating costs in relation to their respective ownership interests, with variable operating costs being paid in proportion to the number of gallons billed by each district to their respective customers.

-Water Facility Agreement-

The District is a party to a water facilities agreement executed on January 20, 1999 and amended and restated on March 21, 2017. Under such agreement, the District and Greenwood equally own water facilities to receive water from the City of Houston and transmit such water to the two districts. The District operates the facilities and the agreement calls for each district to equally share capital project costs, with operating and maintenance costs being paid in proportion to the amount of water pumped from such facilities to the respective districts

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. Additionally, the bonds are further secured by a pledge of the Net Revenues of the District's System all as defined and further described herein, however it is not currently anticipated that such Net Revenues will ever make any contribution to the District's annual debt service payments. The information included in the table below relating to the District's System operations is provided for informational purposes only.

	Fiscal Year Ended December 31 (a)				
	2020	**2019**	**2018**	**2017**	**2016**
REVENUES					
Property Taxes	$710,211	$658,794	$595,411	$423,869	$250,051
Water Service	$940,569	$903,441	$914,663	$897,847	$766,543
Wastewater Service	$988,784	$955,100	$1,007,187	$979,096	$937,979
Groundwater Reduction Plan Fees	$591,370	$516,741	$521,246	$542,686	$518,620
Lease Capacity	$48,423	-	$94,770	$137,670	-
Special Assessment	$63,000	$63,000	$63,000	$63,000	$63,243
Penalty and Interest	$24,149	$89,489	$79,214	$77,588	$89,666
Tap Connection and Inspection Fees	$8,722	$169,235	$8,653	$19,030	$137,345
Investment & Miscellaneous Revenues	$28,998	$145,188	$80,969	$40,909	$35,611
TOTAL REVENUES	**$3,404,226**	**$3,500,988**	**$3,365,113**	**$3,181,695**	**$2,799,058**
EXPENDITURES					
Professional Fees	$241,749	$280,469	$331,997	$158,332	$211,149
Contracted Services	$882,749	$779,187	$767,701	$745,239	$742,174
Purchased Water Service	$559,062	$542,547	$581,279	$614,333	$526,575
Purchased Wastewater Service	$342,840	$417,363	$466,866	$543,531	$326,669
Utilities	$36,863	$35,025	$51,360	$51,702	$47,767
Repairs and Maintenance	$613,945	$945,819	$643,296	$487,045	$353,031
Other	$243,644	$286,766	$270,727	$212,152	$280,875
Capital Outlay	-	-	$225,082	$56,549	$63,038
TOTAL EXPENDITURES (b)	**$2,920,852**	**$3,287,176**	**$3,338,308**	**$2,868,883**	**$2,551,278**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$483,374**	**$213,812**	**$26,805**	**$312,812**	**$247,780**
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	$56,439	$128,975	-	-	-
NET CHANGE IN FUND BALANCE	**$539,813**	**$342,787**	**$26,805**	**$312,812**	**$247,780**
BEGINNING FUND BALANCE	**$1,740,295**	**$1,397,508**	**$1,370,703**	**$1,057,891**	**$810,111**
ENDING FUND BALANCE	**$2,280,108**	**$1,740,295**	**$1,397,508**	**$1,370,703**	**$1,057,891**

(a) Data for fiscal years 2016 – 2020 is taken from District's prior years audited financial statements. See "APPENDIX A."

(b) As of December 8, 2021, the District's General Fund had a cash and investment balance of approximately $3,136,182. For the fiscal year ended December 31, 2021, the District has experienced unaudited General Fund revenues of approximately $3,554,110 and unaudited operating expenditures of approximately $2,772,984. For the fiscal year ending December 31, 2022 the District is currently budgeting General Fund revenues of $3,580,020 and General Fund expenditures of $3,146,748.

DISTRICT DEBT
(Unaudited)

2021 Certified Taxable Value	$440,851,407	(a)
Direct Debt		
Outstanding Bonds (as of March 1, 2022)	$20,140,000	(b)
Plus the Series 2022 Refunding Bonds	$15,940,000	
Total Direct Debt	$36,080,000	
Estimated Overlapping Debt	$31,374,313	(c)
Direct and Estimated Overlapping Debt	$67,454,313	
Percentage of Direct Debt to:		
2021 Certified Taxable Value	4.30%	
Percentage of Direct and Overlapping Debt to:		
2021 Certified Taxable Value	15.30%	
2021 Tax Rate Per $100 of Assessed Value:		
Debt Service	$0.49	
Maintenance Tax	$0.22	
Total 2021 Tax Rate	$0.71	

(a) Reflects the 2021 Certified Taxable Value according to data supplied to the District by HCAD. See “TAX DATA” and “TAXING PROCEDURES”

(b) Excludes the Refunded Bonds. See “PLAN OF FINANCING”.

(c) See “DISTRICT DEBT – Estimated Overlapping Debt.”

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 "Texas Municipal Reports" published by the Municipal Advisory Council or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purpose in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

	Approximate	Overlapping Debt	
Taxing Jurisdiction (a)	**Outstanding Bonds**	**Percent**	**Amount**
Harris County	$1,335,237,125	0.08%	$1,056,603
Harris County Department of Education	$20,185,000	0.08%	$15,969
Harris County Flood Control District	$584,900,000	0.08%	$470,825
Harris County Hospital District	$81,540,000	0.08%	$65,624
Port of Houston Authority	$469,434,397	0.08%	$377,900
San Jacinto CCD	$529,434,594	0.62%	$3,278,934
Sheldon ISD	$378,474,996	6.90%	$26,108,458
Total Estimated Overlapping Debt			**$31,374,313**
The District's Direct Debt (b)			$36,080,000
Total Direct and Estimated Overlapping Debt			**$67,454,313**

(a) Excludes Harris County Toll Road Tax and Revenue Bonds that have been paid from toll revenues.

(b) Includes the Bonds and excludes the Refunded Bonds.

TAX DATA

Tax Collections

The following table sets forth the historical tax collection experience of the District for the tax years 2016 through 2021 as of February 4, 2022. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information. According to the District's records during the last 10 years current tax collections have exceeded 97%.

Year	Taxable Valuation	Tax Rate	Tax Levy	Cumulative Collections	Cumulative Collections %	Year End 9/30
2021	$440,851,407	$0.710	$3,130,045	$1,971,928	93% (a)	2022
2020	$412,156,090	$0.720	$2,967,524	$2,940,944	100%	2021
2019	$378,566,087	$0.753	$2,850,603	$2,830,655	100%	2020
2018	$335,046,858	$0.730	$2,445,842	$2,233,547	100%	2019
2017	$330,329,749	$0.730	$2,411,407	$2,384,050	100%	2018
2016	$286,774,374	$0.790	$2,265,518	$2,239,676	100%	2017

(a) The 2021 taxes are in the process of collections; such taxes become delinquent if not paid before February 1, 2022. See "TAXING PROCEDURES."

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2017 through and including 2021.

	2021	2020	2098	2018	2017
Debt Service	$0.49	0.50	0.564	$0.53	$0.55
Maintenance/Operation	$0.22	0.22	0.189	$0.20	$0.18
Total	**$0.71**	**0.72**	**0.753**	**$0.73**	**$0.73**

Additional Penalties

The District has contract with a delinquent tax attorney to collect certain delinquent taxes. In connection with that agreement, the District has established an additional penalty of 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.

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements; such maintenance tax was authorized by vote of the District's electors May 7, 2005. The District is authorized to levy such a maintenance tax in an unlimited amount per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future. The District levied a 2021 maintenance tax of $0.22 per $100 assessed valuation.

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 tax roll valuations for 2017 through 2021.

	Type of Property					
Year	Land	Improvements	Personal Property	Gross Valuation	Exemptions	Taxable Valuation (a)
2021	$111,398,302	$355,068,962	$69,392,418	$535,859,682	$95,008,275	$440,851,407
2020	$110,064,756	$327,281,540	$76,199,248	$513,545,544	$101,360,699	$412,156,090
2019	$91,801,678	$305,015,861	$74,931,794	$471,749,333	$93,158,832	$378,566,087
2018	$57,755,457	$278,337,100	$72,944,296	$409,036,853	$73,989,995	$335,046,858
2017	$52,522,937	$293,724,478	$68,886,717	$415,134,132	$84,804,383	$330,329,749

(a) Reflects the Gross Valuations data supplied by HCAD less exemptions.

Estimated Overlapping Taxes

The following table sets forth all 2021 taxes levied by overlapping taxing jurisdictions on property within the District. 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.

Taxing Jurisdictions	2021 Tax Rate per $100 Assessed Valuation
San Jacinto College District	$0.167967
Sheldon ISD	$1,455000
Harris County (a)	$0.586340
Emergency Service District No. 60	$0.050000
Emergency Service District No. 2	$0.030000
Overlapping Taxes	**$2.289307**
The District	$0.710000
Direct and Overlapping Taxes	**$2.999307**

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

Principal Taxpayers

The following table sets forth the District's principal taxpayers and was provided by the District's Tax Assessor/Collector based upon the 2021 certified tax roll (which reflects ownership of property as of January 1, 2021) according to HCAD.

Taxpayer	Type of Property	2021 Taxable Value	% of Total
Maverick Tube Corporation	Industrial	$35,625,566	8.08%
Tenaris Coiled Tubes LLC	Industrial/Vacant Commercial	$21,696,724	4.92%
Superior Threaded Products LP	Industrial/Commercial	$10,244,310	2.32%
RO Forest Park LLC	Multi-family	$7,783,840	1.77%
Saipem SPA - Mexico Branch	Industrial	$6,472,240	1.47%
SPR Sub LLC	Lots/Houses	$5,130,505	1.16%
Amerector Properties Inc	Commercial	$4,671,653	1.06%
America Homes 4 Rent	Lots/Houses	$4,521,940	1.03%
Rutherford Park LP	Multi-family	$4,349,020	0.99%
BHP Billiton Petroleum (Deepwater) Inc.	Industrial	$3,202,072	0.73%
		$103,697,870	**23.52%**

Tax Adequacy for Debt Service

The calculations shown below are solely for the purpose of illustration and assume no increase in assessed valuation over the 2021 Taxable Value as provided by HCAD, and use a tax rate adequate to service the District's total debt service requirements following issuance of the Bonds. Surplus balances in the debt service fund, the capital projects fund, and the general fund are not reflected in these computations.

Maximum Annual Debt Service Requirements (2044)... $2,316,419

$0.56 Tax Rate on the 2021 Taxable Value of $440,851,407
@ 95% collections produces.. $2,345,329

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 and interest on the Bonds and any additional bonds payable from taxes that the District has previously or 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 - Sources 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. See "TAX DATA - Maintenance Tax."

Tax Code and County-Wide Appraisal District

The Texas 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 (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 Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property in the District is subject to taxation by the District. However, the District makes no effort to collect taxes on personal property, other than on personal property rendered for taxation, business inventories, and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas, and mineral interests owned by an institution of higher education; certain property owned and used for qualified purposes by certain charitable religious, education and other organizations, designated historical sites; solar and wind-powered energy devices; and most individually-owned automobiles.

Senior Citizen/Disabled Exemptions: The District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons 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. The District has granted a $10,000 senior citizen/disabled exemption for tax year 2022.

Veterans Exemptions: 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, and subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has a 20% residential homestead exemption each year (including 2022) since 2004;it is currently anticipated that the District will continue to grant a residential a homestead exemption in future years.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas) and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas 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 which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For the 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 pubic 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

Either Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston, Harris County, 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 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.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are 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 Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special value 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 years for agricultural use, open space land and timberland.

The Property Tax Code requires the 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 the HCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by the HCAD or whether reappraisals will be conducted on a zone-wide or county-wide basis. The District, however, at its expense, has the right to obtain from the 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.

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

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months (as determined by the District). Additionally, the owner of a residential homestead property who is (i) a person 65 years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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 the maintenance and operations tax rate that would impose1.08 times the amount of the 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 the maintenance and operations tax rate that would impose 1.035 times the amount of the operation and maintenance tax rate subject to certain homestead exemptions plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 the maintenance and operations tax rate that would impose 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 2021 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "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 and land designated for agricultural use and six months for all other 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 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 or the property in four equal quarterly installments by notice of 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.

The Effect of FIRREA on Tax Collections of the District

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

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

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

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 authorities, 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 authorities, 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.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be subject to and accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the tax revenue, based upon his examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, subject to the matters described in "TAX MATTERS" below, interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and interest on the Bonds will not be subject to the federal alternative minimum tax on the owners thereof.

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT – Authority, Purpose, and Functions," "TAXING PROCEDURES," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS" (as it describes the opinion of Bond Counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12" (except for – "Compliance with Prior Undertakings") solely to determine whether such information in all material respects fairly and accurately summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it investigated the affairs of the District or any developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of Bond Counsel 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, except as stated above.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to an opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that, pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Code") and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes will: (1) be excludable from the gross income, as defined in Section 61 of the Code, of the owners thereof, and (2) not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), S corporations with "subchapter C" earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Premium on Certain Bonds

The initial offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of Premium Bonds should consult with their own tax advisors to determine the amortizable bond premium on the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

NOT Qualified Tax-Exempt Obligations for Financial Institutions

The District did NOT designate the Bonds as "qualified tax-exempt obligations".

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access ("EMMA"), within six months after the end of each fiscal year of the District ending in or after 2021, financial information and operating data with respect to the District of the general type included in "DISTRICT DEBT" (excluding "-Estimated Overlapping Debt"), "TAX DATA," (excluding "-Estimated Overlapping Taxes") and "APPENDIX A" of this Official Statement. If audited financial statements for the District are not available within such period, then the District shall provide its audited financial statements for the applicable fiscal year to the MSRB via EMMA when such audited financial statements become available.

The District's current fiscal year end is December 31. Accordingly, the District must provide updated information by June 30. If the District changes its fiscal year, the District will notify the MSRB via EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to the Bond Order.

Specified Event Notices

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations

with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of holders 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, which shall occur as described below;

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. 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 information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Bond Order.

Limitations and Amendments

The District is obligated to observe and perform the covenants specified in the Bond Order for so long as, but only for so long as, the District remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice of any Bond calls and defeasance that cause the District to be no longer such an “obligated person.”

The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with the Bond Order or otherwise, except as expressly provided therein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR REGISTERED OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED

IN THE BOND ORDER, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under the Bond Order shall constitute a breach of or default for purposes of any other provision of the Bond Order.

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Bond Order may be amended by the District from time to time 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 type of operations or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and Registered Owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance with Prior Undertakings

The District failed to timely make its annual continuing disclosure filing for fiscal years ended December 31, 2019. The District subsequently filed the missing information, including the notices of late filing, and has enacted procedures to ensure such oversights do not occur in the future with respect to any of the District’s annual filing obligations. Otherwise, during the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Robert Thomas CPA, LLC will verify from the information provided to it the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated cash deposits listed in the underwriter's schedules will be sufficient to pay, when due, the principal of and interest on, if any, the Refunded Obligations; (2) the computation of yields on the Bonds and the Escrowed Securities contained in the provided schedules; and (3) the mathematical computations related to certain requirements of certain City of Houston ordinances. Robert Thomas CPA, LLC will express no opinion on the assumptions provided to it, nor as to the exemption from taxation of the interest on the Bonds.

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, HCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, resolutions, and engineering and other related reports set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

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

Financial Advisor

The Official Statement was compiled and edited under the supervision of The GMS Group, L.L.C., (the "Financial Advisor"). The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore, such fees are contingent on the sale and delivery of the Bonds.

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters generally, to the description of the System, and, in particular, that information included in the sections entitled "RISK FACTORS -- Future Debt," "THE DISTRICT -- Description and Location" and "THE SYSTEM" has been provided by Jones & Carter and has 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 assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Harris County Appraisal District and by Assessments of the Southwest, Inc., Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor - The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as its independent auditor. A copy of the District's audit for the fiscal year ended December 31, 2020, is included in Appendix A hereto.

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the 91st day after the "end of the underwriting period" (as defined in SEC Rule 15c2-12(f)(2)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

Certification of Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, 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.

This Official Statement was approved by the Board of Directors of Parkway Utility District as of the date shown on the cover page.

APPENDIX A

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2020

PARKWAY UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

PARKWAY UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

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McCALL GIBSON SWEDLUND BARFOOT PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parkway Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Parkway Utility District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Parkway Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 12, 2021

PARKWAY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Management's discussion and analysis of Parkway Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District's assets, liabilities, deferred inflows of resources and deferred 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, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5,013,511 as of December 31, 2020. A portion of the District's net position reflects its net investment in capital assets (buildings and trails, as well as the water, wastewater, and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2020	2019	Change Positive (Negative)
Current and Other Assets	$ 23,886,687	$ 9,501,481	$ 14,385,206
Capital Assets (Net of Accumulated Depreciation)	24,533,972	23,700,925	833,047
Total Assets	$ 48,420,659	$ 33,202,406	$ 15,218,253
Deferred Outflows of Resources	$ 212,863	$ 230,398	$ (17,535)
Bonds Payable	$ 38,917,446	$ 23,689,164	$ (15,228,282)
Other Liabilities	1,732,116	1,781,912	49,796
Total Liabilities	$ 40,649,562	$ 25,471,076	$ (15,178,486)
Deferred Inflows of Resources	$ 2,970,449	$ 2,869,853	$ (100,596)
Net Position:			
Net Investment in Capital Assets	$ 955,774	$ 1,447,616	$ (491,842)
Restricted	1,623,660	1,740,422	(116,762)
Unrestricted	2,434,077	1,903,837	530,240
Total Net Position	$ 5,013,511	$ 5,091,875	$ (78,364)

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

Summary of Changes in the Statement of Activities

	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,840,279	$ 2,420,199	$ 420,080
Charges for Services	2,656,881	2,755,165	(98,284)
Other Revenues	146,643	259,145	(112,502)
Total Revenues	$ 5,643,803	$ 5,434,509	$ 209,294
Expenses for Services	5,722,167	4,972,324	(749,843)
Change in Net Position	$ (78,364)	$ 462,185	$ (540,549)
Net Position, Beginning of Year	5,091,875	4,629,690	462,185
Net Position, End of Year	$ 5,013,511	$ 5,091,875	$ (78,364)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2020, were $19,629,918, an increase of $14,465,762 from the prior year.

The General Fund fund balance increased by $539,813, primarily due to service revenues, investment revenues and property tax revenues exceeding operating costs.

The Debt Service Fund fund balance increased by $5,021, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $13,920,928, primarily due to the issuance of Series 2020 bonds, the majority of which was unspent as of year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were $181,397 more than budgeted revenues, actual expenditures were $43 less than budgeted revenues and actual transfers exceeded budgeted transfers by $56,439. This resulted in a positive budget to actual variance of $237,879. See the budget to actual comparison for more detail.

CAPITAL ASSETS

Capital assets as of December 31, 2020, total $24,533,972 (net of accumulated depreciation) and include land, buildings, equipment and trails as well as the water, wastewater and drainage systems. Capital asset activity consisted of improvements and rehabilitation to the District's water facilities and wastewater treatment facilities as well as the District's share of improvements to the joint facilities shared with Greenwood Utility District.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 970,266	$ 879,540	$ 90,726
Construction in Progress	1,495,960	3,071,615	(1,575,655)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	344,658	359,817	(15,159)
Hike and Bike Trails	205,044	219,624	(14,580)
Water System	8,502,350	5,758,154	2,744,196
Wastewater System	7,687,263	7,900,976	(213,713)
Drainage System	5,328,431	5,511,199	(182,768)
Total Net Capital Assets	$ 24,533,972	$ 23,700,925	$ 833,047

LONG-TERM DEBT ACTIVITY

At year-end, the District had total bond debt payable of $39,490,000. The changes in the debt position of the District during the fiscal year ended December 31, 2020, are summarized as follows:

Bond Debt Payable, January 1, 2020	$ 23,785,000
Add: Bond Sale - Series 2020	16,750,000
Less: Bond Principal Paid	1,045,000
Bond Debt Payable, December 31, 2020	$ 39,490,000

The District's outstanding bonds have an underlying rating of "BBB" from Standard and Poor's Rating Service. The Series 2011 Refunding, Series 2012 Refunding, Series 2013, Series 2013 Refunding Bonds and Series 2020 Bonds carry insured ratings of "AA" by virtue of bond insurance through Assured Guaranty Municipal Corp. The Series 2014 and Series 2015 Refunding Bonds carry insured ratings of "AA" by virtue of bond insurance through Build America Mutual Assurance Company. The Series 2016 Bonds no longer carry an insured rating.

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 Parkway Utility District, c/o Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas 77010-3095.

PARKWAY UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 318,630	$ 1,536,593
Investments	2,177,156	1,840,030
Receivables:		
Property Taxes	479,226	1,132,357
Penalty and Interest on Delinquent Taxes		
Service Accounts	308,709	
Due from Other Funds	508,734	
Prepaid Costs	49,372	
Advance for Water Plant Operations	152,475	
Advance for Wastewater Treatment Plant Operations	74,212	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 4,068,514	$ 4,508,980
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,068,514	$ 4,508,980

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 30,609	$ 1,885,832	$	$ 1,885,832
15,548,540	19,565,726		19,565,726
	1,611,583		1,611,583
		46,839	46,839
	308,709		308,709
	508,734	(508,734)	
64,336	113,708	127,603	241,311
	152,475		152,475
	74,212		74,212
		970,266	970,266
		1,495,960	1,495,960
		22,067,746	22,067,746
$ 15,643,485	$ 24,220,979	$ 24,199,680	$ 48,420,659
$ -0-	$ -0-	$ 212,863	$ 212,863
$ 15,643,485	$ 24,220,979	$ 24,412,543	$ 48,633,522

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

PARKWAY UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 343,344	$ 2,118
Accrued Interest Payable		
Due to Other Funds		456,618
Security Deposits	509,470	
Due to Developers	1,589	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 854,403	$ 458,736
DEFERRED INFLOWS OF RESOURCES		
2020 Property Tax Levy	$ 907,637	$ 2,062,812
Prior Tax Levies	26,366	103,128
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 934,003	$ 2,165,940
FUND BALANCES		
Nonspendable:		
Prepaid Costs	$ 49,372	$
Water Plant Operations	152,475	
Wastewater Treatment Plant Operations	74,212	
Restricted for Authorized Construction		
Restricted for Debt Service		1,884,304
Unassigned	2,004,049	
TOTAL FUND BALANCES	$ 2,280,108	$ 1,884,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,068,514	$ 4,508,980
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
$ 125,863	$ 471,325	$	$ 471,325
		410,611	410,611
52,116	508,734	(508,734)	
	509,470		509,470
	1,589	339,121	340,710
		1,100,000	1,100,000
		37,817,446	37,817,446
$ 177,979	$ 1,491,118	$ 39,158,444	$ 40,649,562
$	$ 2,970,449	$	$ 2,970,449
	129,494	(129,494)	
$ -0-	$ 3,099,943	$ (129,494)	$ 2,970,449
$ 64,336	$ 113,708	$ (113,708)	$
	152,475	(152,475)	
	74,212	(74,212)	
15,401,170	15,401,170	(15,401,170)	
	1,884,304	(1,884,304)	
	2,004,049	(2,004,049)	
$ 15,465,506	$ 19,629,918	$ (19,629,918)	$ -0-
$ 15,643,485	$ 24,220,979		
		$ 955,774	$ 955,774
		1,623,660	1,623,660
		2,434,077	2,434,077
		$ 5,013,511	$ 5,013,511

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

PARKWAY UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total Fund Balances - Governmental Funds		$ 19,629,918
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid bond insurance costs in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		127,603
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.		212,863
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		24,533,972
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.		176,333
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	$ (339,121)	
Accrued Interest Payable	(410,611)	
Bonds Payable	(38,917,446)	(39,667,178)
Total Net Position - Governmental Activities		$ 5,013,511

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

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PARKWAY UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 710,211	$ 2,108,985
Water Service	940,569	
Wastewater Service	988,784	
Groundwater Reduction Plan Fees	591,370	
Lease Capacity	48,423	
Special Assessment	63,000	
Penalty and Interest	24,149	37,640
Tap Connection and Inspection Fees	8,722	
Investment and Miscellaneous Revenues	28,998	29,061
TOTAL REVENUES	$ 3,404,226	$ 2,175,686
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	$ 241,749	$ 14,712
Contracted Services	882,749	58,093
Purchased Water Service	559,062	
Purchased Wastewater Service	342,840	
Utilities	36,863	
Repairs and Maintenance	613,945	
Depreciation		
Other	243,644	7,702
Capital Outlay		
Debt Service:		
Bond Principal		1,045,000
Bond Interest		1,045,158
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 2,920,852	$ 2,170,665
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 483,374	$ 5,021
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	$ 56,439	$
Proceeds From Issuance of Long-Term Debt		
Bond Discount		
TOTAL OTHER FINANCING SOURCES (USES)	$ 56,439	$ -0-
NET CHANGE IN FUND BALANCES	$ 539,813	$ 5,021
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2020	1,740,295	1,879,283
FUND BALANCES/NET POSITION - DECEMBER 31, 2020	$ 2,280,108	$ 1,884,304

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,819,196	$ 21,083	$ 2,840,279
	940,569		940,569
	988,784		988,784
	591,370		591,370
	48,423		48,423
	63,000		63,000
	61,789	2,647	64,436
	8,722		8,722
40,161	98,220		98,220
$ 40,161	$ 5,620,073	$ 23,730	$ 5,643,803
$	$ 256,461	$	$ 256,461
	940,842		940,842
	559,062		559,062
	342,840		342,840
	36,863		36,863
	613,945		613,945
		776,689	776,689
350	251,696		251,696
1,609,736	1,609,736	(1,609,736)	
	1,045,000	(1,045,000)	
	1,045,158	198,403	1,243,561
700,208	700,208		700,208
$ 2,310,294	$ 7,401,811	$ (1,679,644)	$ 5,722,167
$ (2,270,133)	$ (1,781,738)	$ 1,703,374	$ (78,364)
$ (56,439)	$	$	$
16,750,000	16,750,000	(16,750,000)	
(502,500)	(502,500)	502,500	
$ 16,191,061	$ 16,247,500	$ (16,247,500)	$ -0-
$ 13,920,928	$ 14,465,762	$ (14,465,762)	$
		(78,364)	(78,364)
1,544,578	5,164,156	(72,281)	5,091,875
$ 15,465,506	$ 19,629,918	$ (14,616,407)	$ 5,013,511

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

PARKWAY UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances - Governmental Funds	$ 14,465,762
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.	21,083
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.	2,647
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(776,689)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,609,736
In the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	502,500
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.	1,045,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(198,403)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(16,750,000)
Change in Net Position - Governmental Activities	$ (78,364)

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

NOTE 1. CREATION OF DISTRICT

Parkway Utility District located in Harris County, Texas (the "District") was created by Acts of the 61st Legislature of the State of Texas, Regular Session, 1969, as a water control and improvement district in accordance with the Texas Water Code, Chapter 51. On April 23, 1976, the District was converted to a municipal utility district by order of the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the "Commission"), and validity exists pursuant to Article XVI, Section 59 of the Construction of the State of Texas as a utility district operating pursuant to Chapters 49 and 54, Water Code. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, 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 January 10, 1971, and the first bonds were sold on December 22, 1971.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

The District has entered into agreements with Greenwood Utility District ("Greenwood") for the operations and maintenance of a regional wastewater treatment plant facility and a surface water facility. Greenwood has oversight responsibility over both facilities. Additional disclosure concerning these joint ventures is provided in Notes 8 and 9.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

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

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

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

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

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

Government-Wide Financial Statements

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectible 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 collectible within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include the 2019 tax levy collections during the period October 1, 2019 to December 31, 2020, and taxes collected from January 1, 2020 to December 31, 2020, for the 2018 and prior tax levies. The 2020 tax levy has been fully deferred to meet the cost of operations for the 2021 fiscal 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 December 31, 2020, the Capital Projects Fund owed the General Fund $52,116 primarily for project costs, the Debt Service Fund owed the General Fund $444,768 for maintenance tax revenues and $11,850 for arbitrage rebate calculation costs.

Capital Assets

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

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

	Years
Buildings and Improvements	40
Hike and Bike Trails	20
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Pensions

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

Measurement Focus

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

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

	January 1, 2020	Additions	Retirements	December 31, 2020
Bonds Payable	$ 23,785,000	$ 16,750,000	$ 1,045,000	$ 39,490,000
Unamortized Discounts	(250,855)	(502,500)	(43,239)	(710,116)
Unamortized Premiums	155,019		17,457	137,562
Bonds Payable, Net	$ 23,689,164	$ 16,247,500	$ 1,019,218	$ 38,917,446

Amount Due Within One Year	$ 1,100,000
Amount Due After One Year	37,817,446
Bonds Payable, Net	$ 38,917,446

NOTE 3. LONG-TERM DEBT (Continued)

The District's bonds payable at December 31, 2020, consists of the following bonds:

	Series 2011 Refunding	Series 2012 Refunding	Series 2013 Refunding	Series 2013
Amount Outstanding – December 31, 2020	$ 875,000	$ 3,785,000	$ 3,855,000	$ 1,650,000
Interest Rates	3.50% - 4.00%	4.00%	3.125% - 3.500%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2022	March 1, 2021/2027	March 1, 2021/2031	March 1, 2021/2031, 2034
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2018 (1)	September 1, 2020 (1)	September 1, 2020 (1)	September 1, 2020 (1)

	Series 2014	Series 2015 Refunding	Series 2016	Series 2020
Amount Outstanding – December 31, 2020	$ 3,025,000	$ 6,555,000	$ 2,995,000	$ 16,750,000
Interest Rates	3.000% - 3.625%	3.00% - 4.00%	1.50% - 3.00%	2.25% - 5.00%
Maturity Dates – Serially Beginning/Ending	March 1, 2021/2035	March 1, 2021/2033	March 1, 2021/2036	March 1, 2021/2044
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2021 (1)	March 1, 2022 (1)	March 1, 2023 (1)	September 1, 2026 (1)

(1) Or any date thereafter at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2012 term bonds March 1, 2022 are subject to mandatory redemption beginning March 1, 2021. Series 2013 term bonds due March 1, 2028 and March 1, 2034 are subject to mandatory redemption beginning March 1, 2025 and March 1, 2029, respectively. Series 2013 Refunding term bonds due March 1, 2026 and March 1, 2028, are subject to mandatory redemption beginning March 1, 2021 and March 1, 2027, respectively. Series 2014 term bonds due March 1, 2029, March 1, 2032 and March 1, 2034 are subject to mandatory redemption beginning March 1, 2027, March 1, 2030 and March 1, 2033, respectively. Series 2016 term bonds due March 1, 2029, March 1, 2032 and March 1, 2035 are subject to mandatory redemption beginning March 1, 2027, March 1, 2030 and March 1, 2033, respectively. Series 2020 term bonds due March 1, 2031 and March 1, 2036 are subject to mandatory redemption beginning March 1, 2027 and March 1, 2032, respectively.

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2021	$ 1,100,000	$ 1,213,395	$ 2,313,395
2022	1,140,000	1,174,848	2,314,848
2023	1,180,000	1,133,830	2,313,830
2024	1,220,000	1,091,325	2,311,325
2025	1,265,000	1,047,507	2,312,507
2026-2030	7,005,000	4,549,768	11,554,768
2031-2035	8,320,000	3,239,728	11,559,728
2036-2040	9,545,000	1,836,747	11,381,747
2041-2044	8,715,000	488,881	9,203,881
	$ 39,490,000	$ 15,776,029	$ 55,266,029

As of December 31, 2020, the District had authorized but unissued bonds in the amount of $33,015,000 for utility facilities. On May 7, 2016, the District held an election whereby District voters authorized the issuance of an additional $48,205,000 of bonds for purposes of construction, repair or replacement of water, sewer and drainage facilities and $48,205,000 for the purposes of refunding outstanding bonds. The District has the authority to issue refunding bonds of up to 150% of the remaining outstanding bonds.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

During the year ended December 31, 2020, the District levied an ad valorem debt service tax rate of $0.50 per $100 of assessed valuation, which resulted in a tax levy of $2,062,812 on the adjusted taxable valuation of $412,562,388 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. 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 District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of each use.

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 $1,885,832 and the bank balance was $1,848,824. The District was not exposed to custodial credit risk at year-end.

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

	Cash
GENERAL FUND	$ 318,630
DEBT SERVICE FUND	1,536,593
CAPITAL PROJECTS FUND	30,609
TOTAL DEPOSITS	$ 1,885,832

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

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

Fund and Investment Type	Fair Value	Maturities - Less Than 1 Year
GENERAL FUND		
TexPool	$ 2,177,156	$ 2,177,156
DEBT SERVICE FUND		
TexPool	1,840,030	1,840,030
CAPITAL PROJECTS FUND		
TexPool	15,548,540	15,548,540
TOTAL INVESTMENTS	$ 19,565,726	$ 19,565,726

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

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

	January 1, 2020	Increases	Decreases	December 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 879,540	$ 90,726	$	$ 970,266
Construction in Progress	3,071,615	1,519,010	3,094,665	1,495,960
Total Capital Assets Not Being Depreciated	$ 3,951,155	$ 1,609,736	$ 3,094,665	$ 2,466,226
Capital Assets Subject to Depreciation				
Buildings and Improvements	$ 521,303	$	$	$ 521,303
Hike and Bike Trails	334,994			334,994
Water System	8,835,407	2,981,281		11,816,688
Wastewater System	13,012,374	113,384		13,125,758
Drainage System	8,166,531			8,166,531
Total Capital Assets Subject to Depreciation	$ 30,870,609	$ 3,094,665	$ - 0 -	$ 33,965,274
Less Accumulated Depreciation				
Buildings and Improvements	$ 161,486	$ 15,159	$	$ 176,645
Hike and Bike Trails	115,370	14,580		129,950
Water System	3,077,253	237,085		3,314,338
Wastewater System	5,111,398	327,097		5,438,495
Drainage System	2,655,332	182,768		2,838,100
Total Accumulated Depreciation	$ 11,120,839	$ 776,689	$ - 0 -	$ 11,897,528
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 19,749,770	$ 2,317,976	$ - 0 -	$ 22,067,746
Total Capital Assets, Net of Accumulated Depreciation	$ 23,700,925	$ 3,927,712	$ 3,094,665	$ 24,533,972

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7. MAINTENANCE TAX

On May 10, 2014, the voters of the District approved the levy and collection of a maintenance tax not to exceed $0.50 per $100 of assessed valuation of taxable property within the District. During the year ended December 31, 2020, the District levied an ad valorem maintenance tax rate of $0.22 per $100 of assessed valuation, which resulted in a tax levy of $907,637 on the adjusted taxable valuation of $412,562,388 for the 2020 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. The 2020 tax levy has been fully deferred to meet the cost of operations for the 2021 fiscal year.

NOTE 8. WASTE DISPOSAL AGREEMENT

The District is party to a wastewater treatment agreement entered into on December 20, 1998 and amended and restated on July 9, 2019. The District owns approximately 558,790 gpd of the 950,000 gpd Greenwood Regional Wastewater Treatment Plant ("Plant"). Greenwood operates the Plant. The variable costs of operating the Plant are allocated to the participants based upon the ratio of the number of gallons billed by each participant to their respective customers. Capital costs, including extraordinary repairs, improvements and modifications are payable in accordance with each district's ownership capacity. The term of this agreement is 40 years. The following balances were recorded as of December 31, 2020:

	Greenwood Utility District	Parkway Utility District	Total
Balance Receivable from Participants	$ 55,287	$ 60,123	$ 115,410
Operating Advance - January 1, 2020	$ 91,581	$ 81,802	$ 173,383
Change in Operating Advance	7,590	(7,590)	
Operating Advance - December 31, 2020	$ 99,171	$ 74,212	$ 173,383

NOTE 8. WASTE DISPOSAL AGREEMENT (Continued)

The following summary financial data on the plant is presented for the year ended December 31, 2020.

Total Assets	$ 238,770
Total Liabilities	65,387
Fund Balance - Restricted for Operations	$ 173,383
Total Revenues	$ 811,210
Total Expenditures	811,210
Change in Fund Balance	$ -0-
Fund Balance - Restricted for Operations - January 1, 2020	173,383
Fund Balance - Restricted for Operations - December 31, 2020	$ 173,383

The District recorded total expenditures of $342,840 as its share of the operating cost of the plant. Financial statements for Greenwood may be obtained by contacting Greenwood's attorney, Radcliffe Bobbitt Adams Polley PLLC.

NOTE 9. WATER SUPPLY AGREEMENT

The District entered into a water facilities agreement on July 16, 1997 and a surface water facilities agreement on January 20, 1999, with Greenwood Utility District to provide for the financing, construction, ownership, operation and maintenance of water and surface water facilities. On March 21, 2018, the surface water facilities agreement was amended. The participants receive water from the City of Houston. Greenwood operates the water and surface water facilities. Variable costs of operating the facilities are allocated to the participants based upon the ratio of the number of gallons billed by each participant to their respective customers while capital costs are shared equally. The term of this agreement is 40 years. These joint facilities are accounted for in the Special Revenue Fund of Greenwood. The following balances were recorded as of December 31, 2020:

	Greenwood Utility District	Parkway Utility District	Total
Balance Receivable from Participants	$ 172,197	$ 119,306	$ 291,503
Operating Advance - January 1, 2020	$ 167,951	$ 190,612	$ 358,563
Change in Operating Advance	35,574	(38,137)	(2,563)
Operating Advance - December 31, 2020	$ 203,525	$ 152,475	$ 356,000

PARKWAY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. WATER SUPPLY AGREEMENT (Continued)

The District recorded total expenditures of $559,062 for purchased water. Financial statements for Greenwood may be obtained by contacting Greenwood's attorney, Radcliffe Bobbitt Adams Polley PLLC.

The following summary financial data on the plant is presented for the year ended December 31, 2020.

Total Assets	$ 461,218
Total Liabilities	105,218
Fund Balance - Restricted for Operations	$ 356,000
Total Revenues	$ 1,302,250
Total Expenditures	1,302,250
Change in Fund Balance	$ -0-
Change in Reserve	(2,563)
Fund Balance - Restricted for Operations - January 1, 2020	358,563
Fund Balance - Restricted for Operations - December 31, 2020	$ 356,000

NOTE 10. SPECIAL ASSESSMENT REVENUE

Per the District's rate order, out-of-District entities receiving water and wastewater service will be assessed a monthly payment in addition to their water and sewer bills. The amount of this special assessment is based on the ad valorem taxes that would be due to the District if the entity were in the District. During the fiscal year ended December 31, 2020, the District received $63,000 in revenue from these special assessments.

NOTE 11. UNREIMBURSED COSTS

In accordance with the terms of certain development financing agreements, developers within the District have made expenditures on behalf of the District for water, sewer and drainage facilities. The District is obligated to reimburse the developers from bond proceeds or other available funds.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

NOTE 13. BOND SALE

On February 12, 2020, the District issued its $16,750,000 Series 2020 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds. Bond proceeds will be used for engineering and construction costs related to: wastewater treatment plant expansion; waterline upgrade along Tidwell Road; Harris County-Tidwell Road widening infrastructure; City of Houston treated water impact fees; surface water transfer facility; alternative capacity request; sanitary sewer rehabilitation; Lift Station No. 1 rehabilitation; Lift Station No. 2 expansion; and to pay bond issuance costs.

NOTE 14. ECONOMIC UNCERTAINTIES

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

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PARKWAY UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

PARKWAY UTILITY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 699,609	$ 710,211	$ 10,602
Water Service	864,000	940,569	76,569
Wastewater Service	946,320	988,784	42,464
Groundwater Reduction Plan Fees	504,000	591,370	87,370
Special Assessment	63,000	63,000	
Penalty and Interest	80,400	24,149	(56,251)
Tap Connection and Inspection Fees	7,000	8,722	1,722
Investment and Miscellaneous Revenues	58,500	77,421	18,921
TOTAL REVENUES	$ 3,222,829	$ 3,404,226	$ 181,397
EXPENDITURES			
Service Operations:			
Professional Fees	$ 232,400	$ 241,749	$ (9,349)
Contracted Services	779,243	882,749	(103,506)
Purchased Water Service	630,872	559,062	71,810
Purchased Wastewater Service	483,000	342,840	140,160
Utilities	35,040	36,863	(1,823)
Repairs and Maintenance	553,885	613,945	(60,060)
Other	206,455	243,644	(37,189)
TOTAL EXPENDITURES	$ 2,920,895	$ 2,920,852	$ 43
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 301,934	$ 483,374	$ 181,440
OTHER FINANCING SOURCES(USES)			
Transfers In	$ - 0 -	$ 56,439	$ 56,439
NET CHANGE IN FUND BALANCE	$ 301,934	$ 539,813	$ 237,879
FUND BALANCE - JANUARY 1, 2020	1,740,295	1,740,295	
FUND BALANCE - DECEMBER 31, 2020	$ 2,042,229	$ 2,280,108	$ 237,879

See accompanying independent auditor's report.

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PARKWAY UTILITY DISTRICT

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2020

PARKWAY UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved December 9, 2020

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	$ 15.00	2,000	N	$ 2.00	2,001 to 3,000
				$ 3.00	3,001 to 5,000
				$ 3.75	5,001 to 6,000
				$ 4.00	6,001 to 9,000
				$ 7.00	9,001 to 12,000
				$ 7.75	12,001 to 14,000
				$ 8.30	14,001 to 20,000
				$ 10.25	20,001 and up
WASTEWATER:	$ 29.40	6,000	N	$ 1.50	6,001 and up
SURCHARGE: Groundwater Reduction Fees	$ 3.26 + 10% per 1,000				

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

Total monthly charges per 10,000 gallons usage: Water: $45.75 Wastewater: $35.40 Surcharge: $35.86

See accompanying independent auditor's report.

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	2,392	2,392	x 1.0	2,392
1"	6	6	x 2.5	15
1½"	5	5	x 5.0	25
2"	24	24	x 8.0	192
3"	1	1	x 15.0	15
4"			x 25.0	
6"	1	1	x 50.0	50
8"	2	2	x 80.0	160
10"			x 115.0	
Total Water Connections	2,431	2,431		2,849
Total Wastewater Connections	2,405	2,405	x 1.0	2,405

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

Gallons pumped:	17,122,000	Water Accountability Ratio: 96% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	89,505,000	
Gallons purchased:	78,308,000 6,716,000	From: City of Houston, Texas and Greenwood Utility District
Gallons sold:	8,859,000	To: Greenwood Utility District

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

5. **LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes _X_ No ___

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ___ Partly ___ Not at all _X_

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

Entirely _X_ Partly ___ Not at all ___

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes ___ No _X_

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

PROFESSIONAL FEES:		
Auditing	$	18,750
Engineering		145,733
Legal		77,266
TOTAL PROFESSIONAL FEES	$	241,749
PURCHASED SERVICES FOR RESALE:		
Purchased Water Service	$	559,062
Purchased Wastewater Service		342,840
TOTAL PURCHASED SERVICES FOR RESALE	$	901,902
CONTRACTED SERVICES:		
Bookkeeping	$	44,801
Operations and Billing		73,194
Management Fees		41,400
Solid Waste Disposal		408,471
Security		314,883
TOTAL CONTRACTED SERVICES	$	882,749
UTILITIES:		
Electricity	$	27,814
Telephone		9,049
TOTAL UTILITIES	$	36,863
REPAIRS AND MAINTENANCE	$	613,945
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes and Administration	$	29,389
Insurance		22,399
Office Supplies and Postage		75,928
Travel and Meetings		6,372
Other (Includes Website, Deed, Appraisal, Arbitrage Compliance)		43,288
TOTAL ADMINISTRATIVE EXPENDITURES	$	177,376
OTHER EXPENDITURES:		
Chemicals	$	5,965
Laboratory Fees		14,237
Permit Fees		6,044
Inspection and Reconnection Fees		30,399
Regulatory Assessment		9,623
TOTAL OTHER EXPENDITURES	$	66,268
TOTAL EXPENDITURES	$	2,920,852

See accompanying independent auditor’s report.

PARKWAY UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
TexPool	XXXX0003	Varies	Daily	$ 2,177,156	$ - 0 -
DEBT SERVICE FUND					
TexPool	XXXX0001	Varies	Daily	$ 1,840,030	$ - 0 -
CAPITAL PROJECTS FUND					
TexPool	XXXX0002	Varies	Daily	$ 15,548,540	$ - 0 -
TOTAL - ALL FUNDS				$ 19,565,726	$ - 0 -

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JANUARY 1, 2020	$ 358,392		$ 1,093,690	
Adjustments to Beginning Balance	(4,880)	$ 353,512	(24,693)	$ 1,068,997
Original 2020 Tax Levy	$ 836,282		$ 1,900,640	
Adjustment to 2020 Tax Levy	71,355	907,637	162,172	2,062,812
TOTAL TO BE ACCOUNTED FOR		$ 1,261,149		$ 3,131,809
TAX COLLECTIONS:				
Prior Years	$ 327,146		$ 965,869	
Current Year	454,777	781,923	1,033,583	1,999,452
TAXES RECEIVABLE - DECEMBER 31, 2020		$ 479,226		$ 1,132,357
TAXES RECEIVABLE BY YEAR:				
2020		$ 452,860		$ 1,029,229
2019		9,967		29,742
2018		4,019		10,652
2017		6,945		21,220
2016		5,056		21,571
2015		379		2,730
2014				8,428
2013				2,480
2012				1,288
2011				1,033
2010 and prior				3,984
TOTAL		$ 479,226		$ 1,132,357

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	$ 109,595,865	$ 92,156,133	$ 57,784,322	$ 52,093,216
Improvements	327,029,868	304,768,114	278,622,763	295,540,933
Personal Property	75,334,865	74,792,517	72,017,527	69,163,949
Exemptions	(99,398,210)	(90,594,170)	(71,518,146)	(82,192,225)
TOTAL PROPERTY VALUATIONS	$ 412,562,388	$ 381,122,594	$ 336,906,466	$ 334,605,873
TAX RATES PER $100 VALUATION:				
Debt Service	$ 0.50	$ 0.564	$ 0.53	$ 0.55
Maintenance	0.22	0.189	0.20	0.18
TOTAL TAX RATES PER $100 VALUATION	$ 0.72	$ 0.753	$ 0.73	$ 0.73
ADJUSTED TAX LEVY*	$ 2,970,449	$ 2,869,853	$ 2,459,417	$ 2,442,622
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	50.11 %	98.62 %	99.40 %	98.85 %

* 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 $0.50 per $100 of assessed valuation approved by voters on May 10, 2014.

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	SERIES-2011 REFUNDING		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 430,000	$ 25,325	$ 455,325
2022	445,000	8,900	453,900
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	$ 875,000	$ 34,225	$ 909,225

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	SERIES-2012 REFUNDING		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 150,000	$ 148,400	$ 298,400
2022	155,000	142,300	297,300
2023	640,000	126,400	766,400
2024	665,000	100,300	765,300
2025	695,000	73,100	768,100
2026	725,000	44,700	769,700
2027	755,000	15,100	770,100
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	$ 3,785,000	$ 650,300	$ 4,435,300

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	SERIES-2013 REFUNDING		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 40,000	$ 127,875	$ 167,875
2022	40,000	126,625	166,625
2023	40,000	125,375	165,375
2024	40,000	124,125	164,125
2025	40,000	122,875	162,875
2026	40,000	121,625	161,625
2027	40,000	120,350	160,350
2028	840,000	106,050	946,050
2029	875,000	78,181	953,181
2030	910,000	48,606	958,606
2031	950,000	16,625	966,625
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	$ 3,855,000	$ 1,118,312	$ 4,973,312

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	SERIES - 2013		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 60,000	$ 53,725	$ 113,725
2022	65,000	51,225	116,225
2023	50,000	48,925	98,925
2024	50,000	46,925	96,925
2025	45,000	45,250	90,250
2026	40,000	43,975	83,975
2027	45,000	42,700	87,700
2028	25,000	41,650	66,650
2029	20,000	40,950	60,950
2030	15,000	40,381	55,381
2031	10,000	39,975	49,975
2032		39,813	39,813
2033		39,812	39,812
2034	1,225,000	19,906	1,244,906
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	$ 1,650,000	$ 595,212	$ 2,245,212

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	S E R I E S - 2 0 1 4		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 60,000	$ 104,481	$ 164,481
2022	60,000	102,531	162,531
2023	65,000	100,656	165,656
2024	65,000	98,706	163,706
2025	70,000	96,638	166,638
2026	75,000	94,325	169,325
2027	75,000	91,934	166,934
2028	70,000	89,669	159,669
2029	75,000	87,403	162,403
2030	75,000	84,966	159,966
2031	75,000	82,434	157,434
2032	65,000	80,072	145,072
2033	50,000	78,100	128,100
2034	425,000	69,788	494,788
2035	1,720,000	31,175	1,751,175
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	$ 3,025,000	$ 1,292,878	$ 4,317,878

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	SERIES-2015 REFUNDING		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 265,000	$ 224,800	$ 489,800
2022	275,000	216,700	491,700
2023	290,000	208,225	498,225
2024	300,000	199,375	499,375
2025	315,000	190,150	505,150
2026	330,000	180,475	510,475
2027	340,000	170,425	510,425
2028	360,000	159,700	519,700
2029	370,000	148,294	518,294
2030	385,000	136,256	521,256
2031	400,000	123,500	523,500
2032	1,425,000	88,500	1,513,500
2033	1,500,000	30,000	1,530,000
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	$ 6,555,000	$ 2,076,400	$ 8,631,400

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	S E R I E S - 2 0 1 6		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 75,000	$ 79,295	$ 154,295
2022	80,000	78,073	158,073
2023	75,000	76,756	151,756
2024	80,000	75,300	155,300
2025	80,000	73,700	153,700
2026	80,000	72,100	152,100
2027	80,000	70,400	150,400
2028	85,000	68,544	153,544
2029	85,000	66,631	151,631
2030	85,000	64,666	149,666
2031	85,000	62,647	147,647
2032	90,000	60,569	150,569
2033	90,000	58,375	148,375
2034	55,000	56,562	111,562
2035	45,000	55,312	100,312
2036	1,825,000	27,375	1,852,375
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
	$ 2,995,000	$ 1,046,305	$ 4,041,305

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	SERIES - 2020		
Due During Fiscal Years Ending December 31	Principal Due March 1	Interest Due March 1/ September 1	Total
2021	$ 20,000	$ 449,494	$ 469,494
2022	20,000	448,494	468,494
2023	20,000	447,493	467,493
2024	20,000	446,594	466,594
2025	20,000	445,794	465,794
2026	20,000	444,994	464,994
2027	20,000	444,368	464,368
2028	20,000	443,919	463,919
2029	20,000	443,469	463,469
2030	25,000	442,962	467,962
2031	25,000	442,400	467,400
2032	20,000	441,869	461,869
2033	25,000	441,306	466,306
2034	20,000	440,744	460,744
2035	20,000	440,244	460,244
2036	20,000	439,744	459,744
2037	1,835,000	416,556	2,251,556
2038	1,895,000	368,747	2,263,747
2039	1,955,000	318,216	2,273,216
2040	2,015,000	266,109	2,281,109
2041	2,075,000	211,131	2,286,131
2042	2,145,000	153,106	2,298,106
2043	2,210,000	93,225	2,303,225
2044	2,285,000	31,419	2,316,419
	$ 16,750,000	$ 8,962,397	$ 25,712,397

See accompanying independent auditor’s report.

PARKWAY UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

	ANNUAL REQUIREMENTS FOR ALL SERIES		
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 1,100,000	$ 1,213,395	$ 2,313,395
2022	1,140,000	1,174,848	2,314,848
2023	1,180,000	1,133,830	2,313,830
2024	1,220,000	1,091,325	2,311,325
2025	1,265,000	1,047,507	2,312,507
2026	1,310,000	1,002,194	2,312,194
2027	1,355,000	955,277	2,310,277
2028	1,400,000	909,532	2,309,532
2029	1,445,000	864,928	2,309,928
2030	1,495,000	817,837	2,312,837
2031	1,545,000	767,581	2,312,581
2032	1,600,000	710,823	2,310,823
2033	1,665,000	647,593	2,312,593
2034	1,725,000	587,000	2,312,000
2035	1,785,000	526,731	2,311,731
2036	1,845,000	467,119	2,312,119
2037	1,835,000	416,556	2,251,556
2038	1,895,000	368,747	2,263,747
2039	1,955,000	318,216	2,273,216
2040	2,015,000	266,109	2,281,109
2041	2,075,000	211,131	2,286,131
2042	2,145,000	153,106	2,298,106
2043	2,210,000	93,225	2,303,225
2044	2,285,000	31,419	2,316,419
	$ 39,490,000	$ 15,776,029	$ 55,266,029

See accompanying independent auditor’s report.

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PARKWAY UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Bonds Issued	Bonds Outstanding January 1, 2020
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2011	$ 3,405,000	$ 1,280,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2012	4,890,000	3,940,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2013	4,150,000	3,895,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2013	2,850,000	1,715,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2014	3,325,000	3,080,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2015	8,005,000	6,810,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2016	3,260,000	3,065,000
Parkway Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2020	16,750,000	
TOTAL	$ 46,635,000	$ 23,785,000

See accompanying independent auditor’s report.

Current Year Transactions				
	Retirements			
Bonds Sold	Principal	Interest	Bonds Outstanding December 31, 2020	Paying Agent
$	$ 405,000	$ 39,684	$ 875,000	Wells Fargo Bank N.A. Houston, TX
	155,000	153,241	3,785,000	BOKF, N.A. Austin, TX
	40,000	128,975	3,855,000	BOKF, N.A. Austin, TX
	65,000	56,225	1,650,000	BOKF, N.A. Austin, TX
	55,000	106,631	3,025,000	BOKF, N.A. Austin, TX
	255,000	231,325	6,555,000	BOKF, N.A. Austin, TX
	70,000	80,330	2,995,000	BOKF, N.A. Austin, TX
16,750,000		248,747	16,750,000	UMB Bank, N.A. Austin, TX
$ 16,750,000	$ 1,045,000	$ 1,045,158	$ 39,490,000	

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020

Bond Authority:	Tax Bonds	Park Bonds
Amount Authorized by Voters	$ 88,455,000	$ 9,750,000
Amount Issued	55,440,000	
Remaining to be Issued	$ 33,015,000	$ 9,750,000

See Note 3 for additional information related to bond authorization, interest rates, interest payment dates and maturity dates.

Debt Service Fund cash and investment balances as of December 31, 2020:	$ 3,376,623
Average annual debt service payment (principal and interest) for remaining term of all bond debt:	$ 2,302,751

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PARKWAY UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 710,211	$ 658,794	$ 595,411
Water Service	940,569	903,441	914,663
Wastewater Service	988,784	955,100	1,007,187
Groundwater Reduction Plan Fees	591,370	516,741	521,246
Lease Capacity	48,423		94,770
Special Assessment	63,000	63,000	63,000
Penalty and Interest	24,149	89,489	79,214
Tap Connection and Inspection Fees	8,722	169,235	8,653
Investment and Miscellaneous Revenues	28,998	145,188	80,969
TOTAL REVENUES	$ 3,404,226	$ 3,500,988	$ 3,365,113
EXPENDITURES			
Professional Fees	$ 241,749	$ 280,469	$ 331,997
Contracted Services	882,749	779,187	767,701
Purchased Water Service	559,062	542,547	581,279
Purchased Wastewater Service	342,840	417,363	466,866
Utilities	36,863	35,025	51,360
Repairs and Maintenance	613,945	945,819	643,296
Other	243,644	286,766	270,727
Capital Outlay			225,082
TOTAL EXPENDITURES	$ 2,920,852	$ 3,287,176	$ 3,338,308
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 483,374	$ 213,812	$ 26,805
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	$ 56,439	$ 128,975	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 539,813	$ 342,787	$ 26,805
BEGINNING FUND BALANCE	1,740,295	1,397,508	1,370,703
ENDING FUND BALANCE	$ 2,280,108	$ 1,740,295	$ 1,397,508

See accompanying independent auditor’s report.

2017	2016	2020	2019	2018	2017	2016
		Percentage of Total Revenues				
$ 423,869	$ 250,051	20.9 %	18.8 %	17.7 %	13.3 %	8.9 %
897,847	766,543	27.6	25.8	27.2	28.2	27.4
979,096	937,979	29.0	27.3	29.9	30.8	33.5
542,686	518,620	17.4	14.8	15.5	17.1	18.5
137,670		1.4		2.8	4.3	
63,000	63,243	1.9	1.8	1.9	2.0	2.3
77,588	89,666	0.7	2.6	2.3	2.4	3.2
19,030	137,345	0.3	4.8	0.3	0.6	4.9
40,909	35,611	0.8	4.1	2.4	1.3	1.3
$ 3,181,695	$ 2,799,058	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 158,332	$ 211,149	7.1 %	8.0 %	9.9 %	5.0 %	7.5 %
745,239	742,174	25.9	22.3	22.8	23.4	26.5
614,333	526,575	16.4	15.5	17.3	19.3	18.8
543,531	326,669	10.1	12.0	13.9	17.1	11.7
51,702	47,767	1.1	1.0	1.5	1.6	1.7
487,045	353,031	18.0	27.0	19.1	15.3	12.6
212,152	280,875	7.2	8.2	8.0	6.7	10.0
56,549	63,038			6.7	1.7	2.3
$ 2,868,883	$ 2,551,278	85.8 %	94.0 %	99.2 %	90.1 %	91.1 %
$ 312,812	$ 247,780	14.2 %	6.0 %	0.8 %	9.9 %	8.9 %
$ - 0 -	$ - 0 -					
$ 312,812	$ 247,780					
1,057,891	810,111					
$ 1,370,703	$ 1,057,891					

See accompanying independent auditor’s report.

PARKWAY UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	$ 2,108,985	$ 1,745,821	$ 1,827,051
Penalty and Interest	37,640	47,176	37,014
Investment and Miscellaneous Revenues	29,061	49,183	45,884
TOTAL REVENUES	$ 2,175,686	$ 1,842,180	$ 1,909,949
EXPENDITURES			
Tax Collection Expenditures	$ 76,957	$ 78,969	$ 88,559
Debt Service Principal	1,045,000	1,020,000	990,000
Debt Service Interest and Fees	1,048,708	828,464	854,020
TOTAL EXPENDITURES	$ 2,170,665	$ 1,927,433	$ 1,932,579
NET CHANGE IN FUND BALANCE	$ 5,021	$ (85,253)	$ (22,630)
BEGINNING FUND BALANCE	1,879,283	1,964,536	1,987,166
ENDING FUND BALANCE	$ 1,884,304	$ 1,879,283	$ 1,964,536
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,431	2,377	2,372
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,405	2,353	2,346

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
$ 1,829,229	$ 1,802,569	96.9 %	94.8 %	95.7 %	92.8 %	98.1 %
78,294	26,696	1.7	2.5	1.9	4.0	1.5
64,019	7,882	1.4	2.7	2.4	3.2	0.4
$ 1,971,542	$ 1,837,147	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 85,905	$ 63,502	3.6 %	4.3 %	4.6 %	4.4 %	3.5 %
965,000	880,000	48.0	55.3	51.8	48.9	47.9
875,290	818,562	48.2	45.0	44.7	44.4	44.6
$ 1,926,195	$ 1,762,064	99.8 %	104.6 %	101.1 %	97.7 %	96.0 %
$ 45,347	$ 75,083	0.2 %	(4.6) %	(1.1) %	2.3 %	4.0 %
1,941,819	1,866,736					
$ 1,987,166	$ 1,941,819					
2,349	2,372					
2,323	2,346					

See accompanying independent auditor’s report.

PARKWAY UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020

District Mailing Address - Parkway Utility District
c/o Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, Texas 77010-3095

District Telephone Number - (713) 651-5151

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2020	Expense Reimbursements for the year ended December 31, 2020	Title
Brenda McNeil	05/2020 – 05/2024 (Elected)	$ 6,300	$ 72	President
Alphonso P. Rettig, Jr.	05/2020 – 05/2024 (Elected)	$ 6,900	$ -0-	Vice President
Jennifer Balderas	05/2018 – 05/2022 (Elected)	$ 5,100	$ -0-	Secretary
Ronald G. Everhart	05/2018 – 05/2022 (Elected)	$ 3,300	$ -0-	Assistant Secretary
Gloria Woods	05/2018 – 05/2022 (Elected)	$ 3,000	$ -0-	Director

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

Submission date of most recent District Registration Form May 3, 2021

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on August 17, 2004. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

PARKWAY UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020

Consultants:	Date Hired	Fees for the year ended December 31, 2020	Title
Norton Rose Fulbright US LLP	01/28/19	$ 77,676	General Counsel
		$ 418,750	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/23/98	$ 18,750	Auditor
		$ 1,500	Bond Related
McLennan & Associates, L.P.	02/21/06	$ 54,493	Bookkeeper
		$ 2,675	Bond Related
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/08/95	$ 14,712	Delinquent Tax Attorney
Jones & Carter	05/02/18	$ 287,011	Engineer
A & S Engineers		$ 169,105	Engineer
The GMS Group, LLC	06/22/20	$ -0-	Financial Advisor
Blitch Associates, Inc.	04/09/97	$ 192,257	Prior Financial Advisor
Jorge Diaz	01/17/17	$ -0-	Investment Officer
Municipal District Services	03/04/08	$ 456,711	Prior Operator
M. Marlon Ivy & Associates, L.P.	08/01/20	$ 144,439	Operator
Systems Project Management LLC	04/15/08	$ 43,413	Project Manager
Assessments of the Southwest, Inc.	11/01/97	$ 38,194	Tax Assessor/ Collector
Harris County Constables Office Precinct No. 3	01/01/05	$ 287,950	Security

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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

Form 500NY (5/90)