OFFICIAL STATEMENT DATED FEBRUARY 14, 2022

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

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry Only

Ratings: Rating: S&P Global Ratings (BAM Insured) …. "AA" (stable outlook)
S&P Global Ratings (Underlying)… "A+" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein

$9,950,000
SPENCER ROAD PUBLIC UTILITY DISTRICT
(A Political Subdivision of the State of Texas, located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2022

Dated: March 1, 2022
Interest Accrual Date: Date of Delivery

Due: September 1, as shown on the inside cover

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or Paying Agent/Registrar"). Interest on the Bonds accrues from the date of initial delivery (expected March 22, 2022) (the "Date of Delivery"), and is payable on September 1, 2022, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of $5,000 or any integral multiple thereof in fully registered form only. The Bonds, including the Term Bonds, maturing on and after September 1, 2029, are subject to redemption, in whole or in part, prior to their scheduled maturities on September 1, 2027, or on any date thereafter, at the option of Spencer Road Public Utility District (the "District"). Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of $5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar or by DTC (defined below) in accordance with its procedures while the Bonds are in book-entry-only form. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as defined herein under "THE BONDS - Book-Entry-Only System") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar (as defined herein) directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. In reading this Official Statement, it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Direct or Indirect Participant (as defined under "THE BONDS - Book-Entry-Only System") acquires an interest in the Bonds, but (i) all rights or ownership must be exercised through DTC and the Book-Entry Only System, and, (ii) except as described herein, notices that are to be given to Registered Owners under the Bond Order (defined herein) will be given only to DTC. See "THE BONDS - Book-Entry-Only System."

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

BAM

See Maturity Schedule on the inside cover

The Bonds constitute the thirteenth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District, for refunding bonds previously issued for such purpose, and for recreational facilities. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of $26,330,000 principal amount of bonds for the purpose of acquiring and constructing the System, $24,400,000 for refunding such bonds and $2,720,000 for recreational facilities. Following the issuance of the Bonds, $915,000 principal amount of unlimited tax bonds for the System, $9,870,000 for refunding such bonds and no bonds for recreational facilities will remain authorized but unissued. See "THE BONDS - Legal Ability to Issue Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Neither the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about March 22, 2022.

MATURITY SCHEDULE

CUSIP Prefix (a): 848228

$1,805,000 Serial Bonds

Principal Amount	Maturity (Due September 1)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Suffix (a)
2024	$105,000	3.00%	1.35%	JK9
2025	110,000	3.00	1.50	JL7
****	****			
2034[c]	375,000	3.00	2.35	JV5
2035[c]	390,000	3.00	2.40	JW3
2036[c]	405,000	3.00	2.45	JX1
2037[c]	420,000	3.00	2.50	JY9

$230,000 Term Bonds, Due September 1, 2027(c)(d), CUSIP Suffix JN3 (a), Interest Rate 4.00% (Yield 1.65%)(b)
$240,000 Term Bonds, Due September 1, 2029(c)(d), CUSIP Suffix JQ6 (a), Interest Rate 3.00% (Yield 2.00%)(b)
$255,000 Term Bonds, Due September 1, 2031(c)(d), CUSIP Suffix JS2 (a), Interest Rate 2.00% (Yield 2.15%)(b)
$275,000 Term Bonds, Due September 1, 2033(c)(d), CUSIP Suffix JU7 (a), Interest Rate 2.125% (Yield 2.30%)(b)
$7,145,000 Term Bonds, Due September 1, 2050(c)(d), CUSIP Suffix KM3 (a), Interest Rate 3.00% (Yield 3.00%)(b)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.

(b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.

(c) Subject to optional redemption as described on the front cover.

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District upon payment of the costs for duplication thereof.

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

Neither the District nor the Underwriter make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important INVESTMENT CONSIDERATIONS and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the inside cover page hereof at a price of 100.004616% of the principal amount thereof, which resulted in a net effective interest rate of 2.980401%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com. BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $504.3 million, $181.5 million and $322.8 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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 Policy for such payments.

In the event the Insurer is unable to make payment of principal and interest on the Bonds 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 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 Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “BOND INSURANCE” and “RATINGS” herein. As is stated in this Official Statement under the caption “LEGAL MATTERS - No Material Adverse Change,” the rating of the Insurer’s creditworthiness by any rating agency does not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligation to take up and pay for the Bonds.

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

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

RATINGS

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P Global Ratings (“S&P”), a business unit of Standard & Poor’s Financial Services LLC, based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by S&P is “A+” (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from S&P. The foregoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer .... Spencer Road Public Utility District (the "District"), is a political subdivision of the State of Texas located in Harris County, Texas. See "THE DISTRICT."

Description.. $9,950,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are dated March 1, 2022. Interest on the Bonds accrues from the date of initial delivery to the Underwriter (the "Date of Delivery"), at the rates shown on the inside cover hereof, and is payable on September 1, 2022, and on each March 1 and September 1 thereafter (each, an "Interest Payment Date") until maturity or prior redemption. An aggregate of $1,805,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024, 2025, and 2034 through 2037, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of $8,145,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2027, 2029, 2031, 2033 and 2050 (collectively, the "Term Bonds"), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. The Bonds, including the Term Bonds, maturing on and after September 1, 2029, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2027, or on any date thereafter at the option of the District. The Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption "THE BONDS - Redemption Provisions - Mandatory Redemption," which amounts are subject to reduction by prior cancellation and optional redemption. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date fixed for redemption. The Bonds will be issued pursuant to a bond order (the "Bond Order") adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54 of the Texas Water Code, as amended and an Order of the TCEQ (hereinafter defined). See "THE BONDS."

Book-Entry-Only System.................................... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), 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 (as defined herein) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. The Bonds are obligations of the District and are not obligations of Harris County, Texas, the City of Houston, Texas, the State of Texas or any political subdivision other than the District. See "THE BONDS - Source of Payment," "TAX DATA - Tax Rate Calculations," and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates."
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of acquisition or construction of a replacement well at Water Plant No. 1, mitigation detention pond on Horsepen Creek and Harris County recovery drainage projects; (ii) pay for a geotechnical report; (iii) pay land acquisition costs associated with the mitigation detention pond; (iv) pay certain engineering costs related to the aforementioned facilities and projects; and (v) pay for administrative and issuance costs, legal fees, fiscal agent fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Payment Record	The District has never defaulted in the timely payment of the principal of and interest on its outstanding bonds. The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1975, Series 1977, Series 1978, Series 1979, Series 1985, and Series 1993, and Unlimited Tax Bonds, Series 2007 to finance the acquisition or construction of waterworks, sanitary sewer and drainage facilities (the "System"), and Unlimited Tax Bonds, Series 2009 to finance the acquisition or construction of recreational facilities to serve the District. The District also has issued Unlimited Tax Refunding Bonds, Series 1992, Series 1993, Series 2003 and Series 2015 to advance refund and defease outstanding bonds of the District. Collective reference is made in this Official Statement to all of such series of debt obligations that have been previously issued by the District as the "Prior Bonds." Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was $2,155,000 (collectively, the "Outstanding Bonds"), and after issuance of the Bonds, the total of the District's direct bonded indebtedness, including the Bonds, will be $12,105,000. See "THE BONDS - Legal Ability to Issue Additional Debt," - "Outstanding Bonds and Payment Record" and "INVESTMENT CONSIDERATIONS - Future Debt."
Authorized But Unissued Bonds	$915,000 bonds for waterworks, sanitary sewer, and drainage facilities and 9,870,000 for refunding such bonds will remain authorized but unissued after issuance of the Bonds. See "THE BONDS - Legal Ability to Issue Additional Debt."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

Municipal Bond Rating...................................... S&P Global Ratings (BAM Insured) “AA” (stable outlook). S&P Global Ratings (Underlying) “A+” (stable outlook). See “BOND INSURANCE” and “RATINGS.”

Qualified Tax-Exempt Obligations .... The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265 (b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

Bond Counsel.. Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX MATTERS.”

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

Financial Advisor.. Rathmann & Associates, L.P., Houston, Texas.

Paying Agent/Registrar....................................... The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas.

Consulting Engineer .... Vogler & Spencer Engineering, Inc., Houston, Texas; Engineer for the District.

THE DISTRICT

Description.. Spencer Road Public Utility District, a political subdivision of the State of Texas, was created by a special act of the Legislature of the State of Texas in 1971, and operates as a municipal utility district pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 716 acres of land. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston, Texas, approximately 22 miles west/northwest of the central business district of Houston. The District is bounded on the east by Jackrabbit Road, and on the north and west by the Copperfield development. FM 529 (Spencer Road) forms a portion of the southern boundary of the District. The District is located approximately 1 mile east of the intersection of FM 529 and State Highway 6. The District is located entirely within Harris County, Texas, and the Cypress-Fairbanks Independent School District. See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.”

Authority... The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - Authority.”

Development of the District................................ The development of all of the developable land located within the District has been completed. According to the District's Engineer, as of December 1, 2021, the District contained (i) 1,506 fully developed single-family residential lots on 1,505 of which lots single-family homes had been constructed and sold to home purchasers, (ii) approximately 45,480 feet of shopping center space, approximately 34,970 square feet of office building space, a fast food restaurant, two daycare centers and a bank, (iii) the Hearthstone Golf Course and Country Club, (iv) a 361-unit apartment complex currently under construction, and (v) approximately 8 acres of developed unrestricted commercial reserves on which no above-ground improvements had been constructed.

Of the total of approximately 716 acres contained within the District's boundaries, (i) approximately 376 acres have been developed into 1,506 single- family residential lots contained within 19 platted subdivisions, on 1,505 of which lots single-family homes have been constructed and sold to home purchasers and 1 lot was purchased by Harris County Flood Control District in a buyout program and shall remain undeveloped in perpetuity, (ii) approximately 18 acres have been developed into unrestricted commercial reserves through the providing of perimeter trunk water distribution, wastewater collection and storm drainage facilities and street paving on approximately 10 acres of which above-ground improvements have been constructed including three shopping centers containing approximately 45,480 square feet of building area, nine office buildings that contain approximately 34,970 square feet, a fast food restaurant, and two daycare centers and a bank, (iii) an approximate 10 acre tract that is owned by the Cypress-Fairbanks Independent School District that contains the Owens Elementary School, (iv) the Hearthstone Golf Course and Country Club has been developed on approximately 205 acres, and (v) a 361-unit apartment complex is currently under construction on approximately 20 acres with completion expected in approximately July 2023. The Hearthstone Golf Course and Country Club includes (i) a 27-hole golf course which has been completed on approximately 201 acres, and (ii) an approximate 4-acre site on which an approximately 15,000 square foot club house with restaurant, men's and women's locker rooms, 6 lighted tennis courts, a swimming pool with dressing rooms, and a golf cart barn have been constructed. The balance of the land located within the District is contained within various street and drainage channel rights-of-way, utility easements, District plant sites, or is otherwise not available or expected to be available for the development of taxable improvements. The District cannot represent whether or when the construction of the apartment complex will be completed or any above-ground improvements will be constructed on such commercial reserves.

The District financed the cost of acquiring and constructing water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the "System") to serve such aforementioned 1,506 developed single-family residential lots located in the District (Hearthstone, Sections 1 through 9, Hearthstone Green, Sections 1 through 4 and 6, Fairway West, Section 1, Holly Court Estates, Hearthstone Estates, Avila Court Estates and Hearthstone Meadows), the aforementioned aggregate 18 commercial acres and recreational facilities with the proceeds of the Prior Bonds. As is described in "USE AND DISTRIBUTION OF BOND PROCEEDS," the District is financing the cost of acquiring or constructing a replacement well at Water Plant No. 1, a mitigation detention pond on Horsepen Creek and Harris County recovery drainage projects with the proceeds of the sale of the Bonds. See "THE SYSTEM" and "INVESTMENT CONSIDERATIONS – Extreme Weather Events." The District will have, with the issuance of the Prior Bonds and the Bonds, financed all of the components of the

System and other facilities serving all of the aforementioned subdivisions and commercial property that have been developed within the District. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs or improvements to the System or annexation of land into the District necessitate such issuance.

Infectious Disease Outbreak (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 2021 and a decrease in active COVID-19 cases generally in the United States, 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.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Assessed Valuation (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	$	412,940,770	(a)
Direct Debt:			
Outstanding Bonds	$	2,155,000	
The Bonds		9,950,000	
Total	$	12,105,000	(b)
Estimated Overlapping Debt	$	24,868,278	
Total Direct and Estimated Overlapping Debt	$	36,973,278	
Direct Debt Ratio : as a percentage of 2021 Assessed Valuation		2.93	%
Direct and Overlapping Debt Ratio : as a percentage of 2021 Assessed Valuation		8.95	%
Debt Service Fund Balance as of January 10, 2022	$	474,656	(c)
General Fund Balance as of January 10, 2022	$	4,035,174	
2021 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.14	
Maintenance Tax		0.27	
Total	$	0.41	(d)
Average Percentage of Total Tax Collections (2011-2020) as of December 31, 2021		99.85	%
Percentage of Tax Collections (2021) as of December 31, 2021 (In process of collection.)		65.74	%
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2050)	$	648,251	
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050)	$	700,400	
Tax Rate per $100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2050) at 95% Tax Collections Based Upon 2021 Assessed Valuation	$	0.17	(d)
Tax Rate per $100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2050) at 95% Tax Collections Based Upon 2021 Assessed Valuation	$	0.18	(d)
Number of Single Family Residences as of December 1, 2021		1,505	

(a) As of January 1, 2021, and comprises the District's 2021 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes an uncertified component of $11,249,129, which is included in the amount of $412,940,770. The District's ultimate 2021 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $412,940,770. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) See "DISTRICT DEBT." The District has timely paid all interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "THE SYSTEM" with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS," and other items, with portions of the proceeds of the sale of the Bonds. The District will have, with the issuance of the Prior Bonds and the Bonds, financed all of the components of the System and other facilities serving all of the aforementioned subdivisions and commercial property that have been developed within the District. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs or improvements to the System or annexation of land into the District necessitate such issuance.

(c) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due in 2021. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on September 1, 2022.

(d) The District levied a total tax rate of $0.41 per $100 of Assessed Valuation for 2021, consisting of debt service and maintenance taxes of $0.14 and $0.27 per $100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 total rate of $0.41 per $100 of Assessed Valuation, is $2.500968 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

SPENCER ROAD PUBLIC UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Spencer Road Public Utility District, a political subdivision located in Harris County, Texas (the "District") of its Unlimited Tax Bonds, Series 2022 (the "Bonds").

There follow in this Official Statement descriptions of the Bonds, the District's plan of financing, and certain information about the District and its finances. 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 upon request and payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (hereinafter defined), except as otherwise indicated herein.

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 order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Order"). A copy of the Bond Order may be obtained from the District upon request and payment of the costs of duplication thereof. 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 are dated March 1, 2022. The Bonds will accrue interest from the date of initial delivery (the "Date of Delivery") (or the most recent interest payment date to which interest has been paid or duly provided for) at the stated interest rates indicated on the inside cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2022, and on each March 1 and September 1 thereafter until maturity or prior redemption. An aggregate of $1,805,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024, 2025, and 2034 through 2037, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of $8,145,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2027, 2029, 2031, 2033 and 2050 (collectively, the "Term Bonds"), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., or any successor paying agent/registrar (the "Registrar," the "Paying Agent" or "Paying Agent/Registrar') in Dallas, Texas.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under "Book-Entry-Only System."

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only

System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers and Exchanges

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authorization of the Bonds

The Bonds are issued pursuant to the authority of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; elections held within and for the District on March 16, 1993, and May 13, 2006; and an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "Legal Ability to Issue Additional Debt" below.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on the Outstanding Bonds (hereinafter defined) and such additional tax bonds of the District as may hereafter be issued by the District, if any, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAXING PROCEDURES" and "TAX DATA - Tax Rate Calculations" for tax adequacy, manner of assessing and collecting taxes, and the remedy to the District in the event of tax delinquencies; and "Registered Owners' Remedies" below for the remedies available to Bondholders in the event of default in the performance of any of the covenants set forth in the Bond Order or in the event of default in the payment of principal of or interest on the Bonds.

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

The District has the authority to levy an annual ad valorem tax without legal limit as to rate or amount on all taxable property within the District for each year the Bonds are outstanding. In the Bond Order, the District has covenanted to establish a rate of taxation each year ample and sufficient to provide funds to pay the interest on the Bonds and to pay the principal when due, full allowance being made for delinquencies and costs of collection.

Outstanding Bonds and Payment Record

The District has never defaulted in the timely payment of the principal of and interest on its outstanding bonds. The District has previously issued Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1975, Series 1977, Series 1978, Series 1979, Series 1985, and Series 1993, and Unlimited Tax Bonds, Series 2007 to finance the acquisition or construction of waterworks, sanitary sewer and drainage facilities (the "System"), and Unlimited Tax Bonds, Series 2009 to finance the acquisition or construction of recreational facilities to serve the District. The District also has issued Unlimited Tax Refunding Bonds, Series 1992, Series 1993, Series 2003 and Series 2015 to advance refund and defease outstanding bonds of the District. Collective reference is made in this Official Statement to all of such series of debt obligations that have been previously issued by the District as the "Prior Bonds." Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was $2,155,000 (collectively, the "Outstanding Bonds"), and after issuance of the Bonds, the total of the District's direct bonded indebtedness, including the Bonds, will be $12,105,000. See "THE BONDS - Legal Ability to Issue Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

Redemption Provisions

Optional Redemption

The Bonds, including the Term Bonds, maturing on and after September 1, 2029, shall be subject to redemption and payment prior to their scheduled maturities at the option of the District, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption. Notice of redemption is required to be mailed by the Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to each of the Registered Owners of the Bonds to be redeemed in whole or in part at the address shown on the bond register.

Mandatory Redemption

The Term Bonds are subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years and in the amounts set forth below, subject to reduction by the amount of any prior cancellation or optional redemption, at a redemption price of par plus accrued interest to the date of redemption:

$230,000 Term Bonds Maturing on September 1, 2027

Mandatory Redemption Dates	Principal Amount
September 1, 2026	$110,000
September 1, 2027 (maturity)	120,000

$240,000 Term Bonds Maturing on September 1, 2029

Mandatory Redemption Dates	Principal Amount
September 1, 2028	$120,000
September 1, 2029 (maturity)	120,000

$255,000 Term Bonds Maturing on September 1, 2031

Mandatory Redemption Dates	Principal Amount
September 1, 2030	$125,000
September 1, 2031 (maturity)	130,000

$275,000 Term Bonds Maturing on September 1, 2033

Mandatory Redemption Dates	Principal Amount
September 1, 2032	$135,000
September 1, 2033 (maturity)	140,000

$7,145,000 Term Bonds Maturing on September 1, 2050

Mandatory Redemption Dates	Principal Amount
September 1, 2038	$435,000
September 1, 2039	455,000
September 1, 2040	470,000
September 1, 2041	485,000
September 1, 2042	505,000
September 1, 2043	525,000
September 1, 2044	545,000
September 1, 2045	565,000
September 1, 2046	585,000
September 1, 2047	610,000
September 1, 2048	630,000
September 1, 2049	655,000
September 1, 2050 (maturity)	680,000

On or before 30 days prior to each Mandatory Redemption date set forth above, the Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary method of random selection, the Term Bonds or portions of Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of Term Bonds of a maturity to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced, at the option of the District, by the principal amount of Term Bonds of such maturity, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

If fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in denominations of $5,000 or any integral multiple thereof within any one maturity. If fewer than all of the Bonds within a certain maturity are to be redeemed, the Paying Agent/Registrar shall designate the Bonds within such maturity to be redeemed by method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). In the event the book-entry-only system is discontinued, the registered owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Defeasance

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

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

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

Amendments to Bond Order

The Bond Order provides that the District may, without the consent of or notice to any Registered Owners of the Bonds, amend, change or modify the Bond Order as may be required (a) by the provisions thereof, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (c) in connection with any other change which is not to the prejudice of the Registered Owners of the Bonds. Except for such amendments, changes, or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of the Registered Owners of the Bonds.

Annexation and Consolidation

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

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

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

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Legal Ability to Issue Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds. Following the issuance of the Bonds, the District will have the right to issue $915,000 in bonds for waterworks, sanitary sewer, and drainage facilities as approved by District voters at elections held on April 6, 1974 and May 13, 2006, and $9,870,000 in bonds for refunding purposes, as approved by District voters at elections held on March 16, 1992, and May 13, 2006.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Except for refunding bonds, before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. In addition to the above mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District. The District will finance the acquisition or construction of components of the System and other facilities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District will have, with the issuance of the Prior Bonds and the Bonds, financed all of the components of the System and other facilities serving all of the aforementioned subdivisions and commercial property that have been developed within the District. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs or improvements to the System or annexation of land into the District necessitate such issuance. If the District were to need to issue more than $915,000 in additional bonds, authorization for such issuance would need to be granted by the district's voters at an election for such purpose. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District issued its $2,720,000 Unlimited Tax Bonds, Series 2009 to finance the acquisition and construction of recreational facilities within the District. The District has no remaining authorized but unissued bonds for parks and recreational facilities.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

Registered Owners' Remedies

Pursuant to Texas law, the Bond Order provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. In addition, any legal action taken to seek any such remedies may be limited by the doctrine of sovereign immunity. 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. Even if the Registered Owners could obtain a judgment against the District, such judgment cannot be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901 946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner 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 such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District's cost of acquisition or construction of a replacement well at Water Plant No. 1, mitigation detention pond on Horsepen Creek and Harris County recovery drainage projects; (ii) pay for a geotechnical report; (iii) pay land acquisition costs associated with the mitigation detention pond; (iv) pay certain engineering costs related to the aforementioned facilities and projects; and (v) pay for administrative and issuance costs, legal fees, fiscal agent fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

I.	**Construction Costs**		**District's Share**
	A.	Developer Contribution Items None	
	B.	District Items	
		1. Replacement Well at Water Plant No. 1 (Water Well No. 4)	$3,221,592
		2. Mitigation Detention Pond on Horsepen Creek (a)	2,400,000
		3. Harris County Recovery Drainage Projects (a)	875,000
		4. Contingencies (a)	649,659
		5. Engineering (a)	843,239
		6. Geotechnical Report (a)	29,772
		7. Land Acquisition for the Mitigation Detention Pond (a)	1,000,000
		Total District Items	$9,109,262
	TOTAL CONSTRUCTION COSTS		**$9,109,262**
II.	**Non-Construction Costs**		
	A.	Legal Fees	$304,500
	B.	Fiscal Agent Fees	199,000
	C.	Bond Discount	0
	D.	Bond Issuance Expenses	45,000

E.	Bond Application Report Costs	49,363
F.	Attorney General Fee	9,500
G.	TCEQ Bond Issuance Fee	24,875
H.	Contingencies (b)	298,500
	TOTAL NON-CONSTRUCTION COSTS	$930,738
	TOTAL BOND ISSUE REQUIREMENTS	**$9,950,000**

(a) See "THE SYSTEM" and "INVESTMENT CONSIDERATIONS – Extreme Weather Events."
(b) Represents funds which may be used by the District only in accordance with the rules of the TCEQ.

THE DISTRICT

Authority

The District is a conservation and reclamation district created by an act of the Texas Legislature in 1971 (originally codified as Article 8280-583 of the Texas Revised Civil Statutes) pursuant to Article XVI, Section 59 of the Texas Constitution. The District operates as a municipal utility district, and the rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. In addition, the District is subject to the continuing supervision of the TCEQ. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Under certain circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. See "DEVELOPMENT OF THE DISTRICT." The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

When created, the District contained approximately 294 acres of land. Subsequent annexations of land have increased the area of the District to its present size of approximately 716 acres. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston, Texas, approximately 22 miles west/northwest of the central business district of Houston. The District is bounded on the east by Jackrabbit Road, and on the north and west by the Copperfield development. FM 529 (Spencer Road) forms a portion of the southern boundary of the District. The District is located approximately 1 mile east of the intersection of FM 529 and State Highway 6. The District is located entirely within Harris County, Texas, and the Cypress-Fairbanks Independent School District. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors currently reside within the District.

Name	Position	Term Expires in May
Wayne Ahrens	President	2024
Steve Bratten	Vice President	2022
Bill Heitkamp	Secretary	2022
Jim Schunneman	Deputy Secretary	2024
William Sharrett	Director	2024

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Bookkeeper - The District's bookkeeper is Municipal Accounts & Consulting, Inc., which acts as bookkeeper for approximately 400 utility districts.

Tax Assessor/Collector - The District has engaged Bob Leared Interests, Friendswood, Texas, as the District's Tax Assessor/Collector. According to Bob Leared Interests, it presently serves approximately 150 utility districts as tax assessor/collector.

Consulting Engineers - The District has engaged the firm of Vogler & Spencer Engineering, Inc., Houston, Texas, as Consulting Engineer on a contract basis to provide engineering services to the District.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the TCEQ. The financial statements of the District as of June 30, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Counsel - The District has engaged Bacon, Wallace & Philbin, L.L.P., Houston, Texas, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The fees paid to Bond Counsel by the District for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds. See "LEGAL MATTERS" and "TAX MATTERS."

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

District Operator - Water, Environmental and Technical Services, Inc., is the general operator of the District's System. According to Water, Environmental and Technical Services, Inc., it is currently employed as operator for 7 utility districts including the District.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company search.html.

DEVELOPMENT OF THE DISTRICT

The development of all of the developable land located within the District has been completed. According to the District's Engineer, as of December 1, 2021, the District contained (i) 1,506 fully developed single-family residential lots on 1,505 of which lots single-family homes had been constructed and sold to home purchasers, (ii) approximately 45,480 feet of shopping center space, approximately 34,970 square feet of office building space, a fast food restaurant, two daycare centers and a bank, (iii) the Hearthstone Golf Course and Country Club, (iv) a 361-unit apartment complex currently under construction, and (v) approximately 8 acres of developed unrestricted commercial reserves on which no above-ground improvements had been constructed.

Of the total of approximately 716 acres contained within the District's boundaries, (i) approximately 376 acres have been developed into 1,506 single- family residential lots contained within 19 platted subdivisions, on 1,505 of which lots single-family homes have been constructed and sold to home purchasers and 1 lot was purchased by Harris County Flood Control District in a buyout program and shall not be developed in perpetuity, (ii) approximately 18 acres have been developed into unrestricted commercial reserves through the providing of perimeter trunk water distribution, wastewater collection and storm drainage facilities and street paving on approximately 10 acres of which above-ground improvements have been constructed including three shopping centers containing approximately 45,480 square feet of building area, nine office buildings that contain approximately 34,970 square feet, a fast food restaurant, and two daycare centers and a bank, (iii) an approximate 10 acre tract that is owned by the Cypress-Fairbanks Independent School District that contains the Owens Elementary School, (iv) the Hearthstone Golf Course and Country Club has been developed on approximately 205 acres, and (v) a 361-unit apartment complex is currently under construction on approximately 20 acres with completion expected in approximately July 2023. The Hearthstone Golf Course and Country Club includes (i) a 27-hole golf course which has been completed on approximately 201 acres, and (ii) an approximate 4-acre site on which an approximately 15,000 square foot club house with restaurant, men's and women's locker rooms, 6 lighted tennis courts, a swimming pool with dressing rooms, and a golf cart barn have been constructed. The balance of the land located within the District is contained within various street and drainage channel rights-of-way, utility easements, District plant sites, or is otherwise not available or expected to be available for the development of taxable improvements. The District cannot represent whether or when the construction of the apartment complex will be completed or any above-ground improvements will be constructed on such commercial reserves.

The District financed the cost of acquiring and constructing water supply and distribution, wastewater collection and treatment, and storm drainage facilities (the “System”) and recreational facilities to serve such aforementioned 1,506 developed single-family residential lots located in the District (Hearthstone, Sections 1 through 9, Hearthstone Green, Sections 1 through 4 and 6, Fairway West, Section 1, Holly Court Estates, Hearthstone Estates, Avila Court Estates and Hearthstone Meadows), the aforementioned aggregate 18 commercial acres and recreational facilities with the proceeds of the Prior Bonds. As is described in “USE AND DISTRIBUTION OF BOND PROCEEDS,” the District is financing the cost of acquiring or constructing a replacement well at Water Plant No. 1, a mitigation detention pond on Horsepen Creek and Harris County recovery drainage projects with the proceeds of the sale of the Bonds. See “THE SYSTEM” and “INVESTMENT CONSIDERATIONS – Extreme Weather Events.” The District will have, with the issuance of the Prior Bonds and the Bonds, financed all of the components of the System and other facilities serving all of the aforementioned subdivisions and commercial property that have been developed within the District. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs or improvements to the System or annexation of land into the District necessitate such issuance.

THE SYSTEM

Regulation

The water supply and distribution, wastewater collection and treatment and storm drainage facilities serving land within the District (the “System”) 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 Harris County.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's Engineer, the total number of equivalent residential connections projected for the District at the full development of its approximate 716 acres is 1,878 with a total estimated population of 5,634. A description of portions of the System follows, and is based upon information supplied by the District's Engineer.

Description

As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," portions of the proceeds of the sale of the Prior Bonds were used to finance the construction or acquisition of water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve approximately 376 acres located in the District (the entirety of the area of the District that is expected to be utilized for single-family residential development) into (i) 1,506 fully developed single-family residential lots, (ii) an aggregate of approximately 18 acres of unrestricted reserves which have been provided perimeter trunk water distribution, wastewater collection and storm drainage facilities, and (iii) recreational facilities.

- Wastewater Treatment -

Wastewater treatment is provided to the District by a wastewater treatment plant financed with portions of the proceeds of the Prior Bonds. The facility has a permitted capacity of 980,000 gallons per day ("gpd"). According to the District's Engineer, the capacity in the District's wastewater treatment facility is sufficient to provide service to all existing and proposed connections in the District upon the District's full development.

- Water Supply -

Portions of the proceeds of the Prior Bonds were used to finance the construction of (i) Water Plant No. 1, which consists of an 650 gallons-per-minute ("g.p.m.") water well and pump, a 210,000 gallon ground storage tank and a 429,000 gallon ground storage tank, three 10,000 gallon hydropneumatic tanks, two 450 g.p.m. and two 1,000 g.p.m. booster pumps, (ii) emergency water interconnection lines with the adjacent Chimney Hill Municipal Utility District ("Chimney Hill") and Harris County Municipal Utility District No. 250, (iii) Water Plant No. 2, which consists of a 387 g.p.m. well and pump, a 560,000 gallon ground storage tank and a 305,000 gallon ground storage tank, two 15,000 gallon hydropneumatic tanks, and one 500 and two 1,000 g.p.m. booster pumps, and (iv) Water Well No,. 3, which consists of a 1,100 g.p.m. water well and chlorination facilities. The District is also currently receiving surface water at Water Plant Nos. 1 and 2 from the West Harris County Regional Water Authority pursuant to a May, 2002, Water Trunkline Financing Agreement as is described below. According to the District's Engineer, the aggregate capacity contained in Water Plant No. 1, Water Plant No. 2 and Water Well No. 3 is sufficient to serve all existing and proposed connections in the District upon the District's full development. A portion of the proceeds of the sale of the Bonds will be used to drill a water well at the District's first water plant site, Water Plant No. 1, in order to replace an aging well that was drilled in 1974.

- Storm Drainage -

Storm water drainage for the District is accomplished by a channel improvement and storm sewer system financed with proceeds of the sale of the Prior Bonds. See "100-Year Flood Plain" below. A portion of the proceeds of the sale of the Bonds will be used to (i) fund the District's 50% participation in Harris County projects to make drainage improvements, in response to the Tax Day Storm 2016 and Hurricane Harvey 2017, to the subdivisions of (1) Hearthstone Green Section 1, (2) Hearthstone Meadows Section 1, (3) Fairway West Section 1, (4) Hearthstone Section 1, and (5) Avila Court Estates, (ii) purchase property downstream of the District, through eminent domain, for a detention pond to mitigate drainage impacts of the Harris County projects and future projects, and (iii) construct the mitigation detention pond. See "INVESTMENT CONSIDERATIONS – Extreme Weather Events."

- 100-Year Flood Plain -

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which FEMA has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. See "INVESTMENT CONSIDERATIONS – Extreme Weather Events."

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study which is based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

According to the District's Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect which covers the land located in the District indicates that no portion of the District except the channel of Horsepen Bayou and portions of the golf course is located within the 100-year flood plain of any water course.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District's jurisdiction. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority's GRP. The District and the Authority entered into a Water Trunkline Financing Agreement in May, 2002. The District has now made necessary improvements to allow surface water delivery to the District's water plants. The Authority began delivery of surface water to Water Plant Nos. 1 and 2 in 2006. The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of $3.70 per 1,000 gallons of groundwater pumped. It is anticipated that said fee will increase in the future. The District is currently receiving surface water from the Authority at a rate of $4.10 per 1,000 gallons. The Authority has to date issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority's project costs.

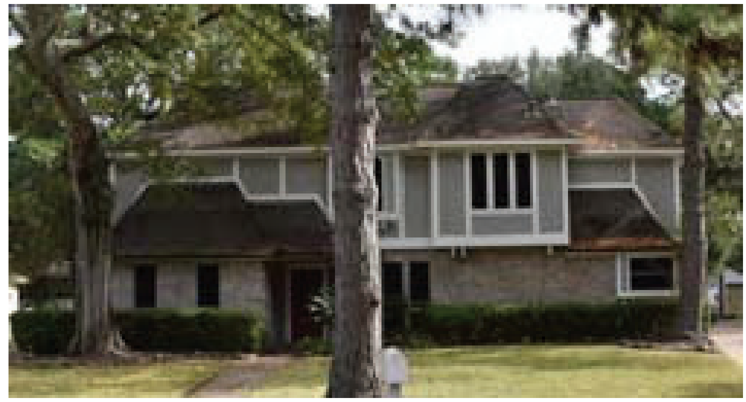
Under the Subsidence District regulations and the GRP, the Authority is required to: (i) have limited groundwater withdrawals to no more than 70% of the total water demand within the Authority's GRP beginning January 2013; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority's GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority's GRP beginning January 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a $9.80 per 1,000 gallons disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the

System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

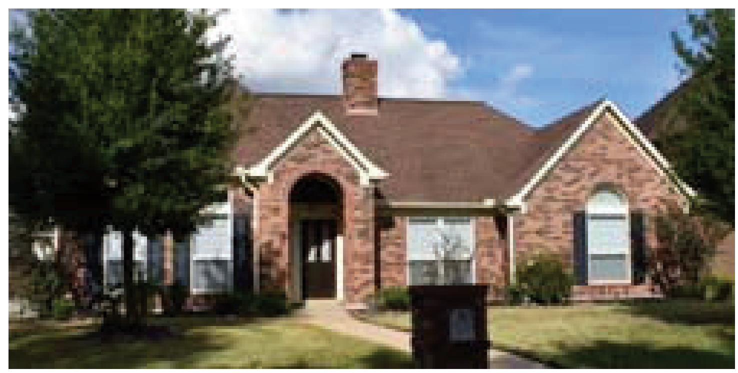
AERIAL PHOTOGRAPH OF THE DISTRICT
(taken December 2021)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken December 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken December 2021)



DISTRICT DEBT

General

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

Bonded Indebtedness

2021 Assessed Valuation (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	$	412,940,770	(a)
Direct Debt:			
Outstanding Bonds	$	2,155,000	
The Bonds		9,950,000	
Total	$	12,105,000	(b)
Estimated Overlapping Debt	$	24,868,278	
Total Direct and Estimated Overlapping Debt	$	36,973,278	
Direct Debt Ratio : as a percentage of 2021 Assessed Valuation		2.93	%
Direct and Overlapping Debt Ratio : as a percentage of 2021 Assessed Valuation		8.95	%
Debt Service Fund Balance as of January 10, 2022	$	474,656	(c)
General Fund Balance as of January 10, 2022	$	4,035,174	
2021 Tax Rate per $100 of Assessed Valuation			
Debt Service Tax	$	0.14	
Maintenance Tax		0.27	
Total	$	0.41	(d)
Average Percentage of Total Tax Collections (2011-2020) as of December 31, 2021		99.85	%
Percentage of Tax Collections (2021) as of December 31, 2021 (In process of collection.)		65.74	%

(a) As of January 1, 2021, and comprises the District's 2021 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). Such sum includes an uncertified component of $11,249,129, which is included in the amount of $412,940,770. The District's ultimate 2021 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $412,940,770. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) The District has timely paid all interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "THE SYSTEM" with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS," and other items, with portions of the proceeds of the sale of the Bonds. The District will have, with the issuance of the Prior Bonds and the Bonds, financed all of the components of the System and other facilities serving all of the aforementioned subdivisions and commercial property that have been developed within the District. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs or improvements to the System or annexation of land into the District necessitate such issuance.

(c) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due in 2021. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due on September 1, 2022.

(d) The District levied a total tax rate of $0.41 per $100 of Assessed Valuation for 2021, consisting of debt service and maintenance taxes of $0.14 and $0.27 per $100 of Assessed Valuation, respectively. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 total rate of $0.41 per $100 of Assessed Valuation, is $2.500968 per $100 of Assessed Valuation. Such aggregate levy is higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

Estimated Direct and Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

Taxing Jurisdiction	Debt as of December 2, 2021	Estimated Overlapping Percent	Estimated Overlapping Amount
Harris County [(i)]	$1,584,697,125	0.07921%	$1,255,285
Harris County Department of Education	20,185,000	0.07921%	15,989
Harris County Flood Control District	584,900,000	0.07921%	463,316
Port of Houston Authority	469,434,397	0.07921%	371,853
Harris County Hospital District	81,540,000	0.07921%	64,590
Cypress-Fairbanks Independent School District	3,222,395,000	0.67156%	21,640,183
Lone Star College System	610,225,000	0.17322%	1,057,062
Total Estimated Overlapping Debt			$24,868,278
Total Direct Debt (the Bonds and the Outstanding Bonds) [(ii)]			12,105,000
Total Direct and Estimated Overlapping Debt			$36,973,278

(i) Harris County Toll Road Bonds are considered to be self-supporting, and are not included in this schedule.
(ii) See "Bonded Indebtedness" above.

Debt Ratios

	% of 2021 Assessed Valuation
Direct Debt	2.93%
Direct and Estimated Overlapping Debt	8.95%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above also are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes in an amount not to exceed $1.00 per $100 of Assessed Valuation, and such taxes have been authorized and levied by the duly qualified voters of the District. See "TAX DATA - Maintenance Tax."

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds, plus the principal and interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds Principal	Plus: The Bonds Interest	New Total Debt Service
2022	$225,200		$130,664	$355,864
2023	220,850		295,844	516,694
2024	221,500	$105,000	295,844	622,344
2025	227,000	110,000	292,694	629,694
2026	227,200	110,000*	289,394	626,594
2027	225,600	120,000*	284,994	630,594
2028	228,800	120,000*	280,194	628,994
2029	231,600	120,000*	276,594	628,194
2030	234,000	125,000*	272,994	631,994
2031	236,000	130,000*	270,494	636,494
2032	232,600	135,000*	267,894	635,494
2033	234,000	140,000*	265,025	639,025
2034		375,000	262,050	637,050
2035		390,000	250,800	640,800
2036		405,000	239,100	644,100
2037		420,000	226,950	646,950
2038		435,000*	214,350	649,350
2039		455,000*	201,300	656,300
2040		470,000*	187,650	657,650
2041		485,000*	173,550	658,550
2042		505,000*	159,000	664,000
2043		525,000*	143,850	668,850
2044		545,000*	128,100	673,100
2045		565,000*	111,750	676,750
2046		585,000*	94,800	679,800
2047		610,000*	77,250	687,250
2048		630,000*	58,950	688,950
2049		655,000*	40,050	695,050
2050		680,000*	20,400	700,400
	$2,744,350	$9,950,000	$5,812,529	$18,506,879

Average Annual Requirements: (2023-2050) $648,251
Maximum Annual Requirement: (2050) $700,400

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* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of $0.14 per $100 of Assessed Valuation for 2021. See "Tax Rate Distribution" below.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed $1.00 per $100 of 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 supported bonds which may be issued in the future. The District levied a maintenance tax of $0.27 per $100 of Assessed Valuation for 2021. See "Tax Rate Distribution" below.

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

				% Collections	
Tax Year	Assessed Valuation	Tax Rate[(a)]	Adjusted Levy	Current & Prior Years[(b)]	Year Ended 09/30
2011	$269,716,748	$0.495	$1,334,936	100.00%	2012
2012	268,869,166	0.490	1,316,765	100.00	2013
2013	273,821,565	0.480	1,312,912	100.00	2014
2014	298,042,667	0.410	1,221,085	99.98	2015
2015	328,076,936	0.380	1,246,641	99.86	2016
2016	348,520,442	0.370	1,289,526	99.88	2017
2017	363,150,481	0.360	1,307,342	99.87	2018
2018	365,931,164	0.360	1,317,352	99.72	2019
2019	362,699,094	0.360	1,305,717	99.71	2020
2020	387,748,747	0.385	1,492,833	99.49	2021
2021	412,940,770(c)	0.410(d)	1,693,057	65.74(e)	2022

(a) Per $100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through December 31, 2021. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) Such sum includes an uncertified component of $11,249,129, which is included in the amount of $412,940,770. The District's ultimate 2021 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $412,940,770. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(d) The District has levied a 2021 total tax rate of $0.41 per $100 of Assessed Valuation, consisting of debt service and maintenance taxes of $0.14 and $0.27 per $100 of Assessed Valuation, respectively.

(e) As of December 31, 2021. In process of collection.

Tax Rate Distribution

	2021	2020	2019	2018	2017
Debt Service	$0.14	$0.115	$0.09	$0.09	$0.09
Maintenance and Operation	0.27	0.270	0.27	0.27	0.27
Total	$0.41	$0.385	$0.36	$0.36	$0.36

Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

Type of Property	2021 Assessed Value	%	2020 Assessed Value	%	2019 Assessed Value	%
Land	$95,898,182	23.22%	$83,296,762	21.48%	$78,624,312	21.68%
Improvements	313,866,190	76.01%	321,101,547	82.81%	297,685,239	82.07%
Personal Property	8,339,710	2.02%	10,649,639	2.75%	10,219,184	2.82%
Uncertified	11,249,129	2.72%	0	0.00%	0	0.00%
Exemptions	(16,412,441)	-3.97%	(27,278,752)	-7.03%	(23,809,641)	-6.56%
Total	$412,940,770	100.00%	$387,769,196	100.00%	$362,719,094	100.00%

Type of Property	2018 Assessed Value	%	2017 Assessed Value	%
Land	$74,766,812	20.43%	$73,425,210	20.22%
Improvements	304,645,896	83.25%	304,902,294	83.96%
Personal Property	10,038,688	2.74%	10,616,767	2.92%
Exemptions	(23,520,232)	-6.43%	(25,793,790)	-7.10%
Total	$365,931,164	100.00%	$363,150,481	100.00%

* Such sum includes an uncertified component of $11,249,129, which is included in the amount of $412,940,770. The District's ultimate 2021 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of $412,940,770. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

Principal 2021 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2021. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2021.

Property Owner	Property Description	2021 Property Value	% of 2021 Assessed Valuation
Hearthstone Country Club	Land, Improvements and Personal Property	$7,344,149	1.78%
Hearthstone RV Resort LLC	Land and Improvements	3,742,794	0.91%
Signal Hearthstone LLC	Land and Improvements	3,269,180	0.79%
EAN Holdings LLC	Personal Property	2,326,283	0.56%
Kariampuzha Ranch LLC	Land and Improvements	2,179,775	0.53%
2015 Hearthstone Realty Inc	Land	1,494,498	0.36%
Stripes LLC	Land	1,380,180	0.33%
Guaranty Bank & Trust NA	Land and Improvements	1,291,566	0.31%
Centerpoint Energy	Personal Property	1,218,970	0.30%
Comcast of Houston LLC	Personal Property	1,113,890	0.27%
		$25,361,285	6.14%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2021 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of other legally available District funds on hand, and the sale of no additional bonds by the District other than the Outstanding Bonds and the Bonds.

Average Annual Debt Service Requirements (2023-2050)...	$648,251
Tax Rate of $0.17 on the 2021 Assessed Valuation ($412,940,770) produces................................	$666,899
Maximum Annual Debt Service Requirement (2050)	$700,400
Tax Rate of $0.18 on the 2021 Assessed Valuation ($412,940,770) produces................................	$706,129

The District levied a tax rate of $0.41 per $100 of Assessed Valuation for 2021, consisting of debt service and maintenance taxes of $0.14 and $0.27 per $100 of Assessed Valuation, respectively. As the above table indicates, the 2021 debt service tax rate of $0.14 per $100 of Assessed Valuation will not be sufficient to pay the Average Annual and Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2021 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is stated above under the caption "Historical Values and Tax Collection History," the District had collected an average of 99.85% of its tax levies for the period 2011 through 2020, as of December 31, 2021. Moreover, the District's Debt Service Fund balance was $474,656 as of January 10, 2022. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS "). In the last two years the District has raised the debt service tax rate in anticipation of the issuance of the Bonds and may continue to raise the debt service tax rate to meet the debt service requirements of the Bonds and the Outstanding Bonds. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "INVESTMENT CONSIDERATIONS - Common Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2021 taxes levied upon property located within the District plus the District's 2021 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT- Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2021 Tax Rate Per $100 of A.V.
The District*	$0.410000
Harris County	0.376930
Harris County Department of Education	0.004990
Harris County Flood Control District	0.033490
Port of Houston Authority	0.008720
Harris County Hospital District	0.162210
Cypress-Fairbanks Independent School District	1.339200
Lone Star College System	0.107800
Harris County Emergency Services District No. 9	0.057628
Total Tax Rate	$2.500968

* The District levied a total tax of $0.41 per $100 of Assessed Valuation for 2021, consisting of debt service and maintenance taxes of $0.14 and $0.27 per $100 of Assessed Valuation, respectively.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of $1.00 per $100 of assessed valuation. The District levied a tax rate of $0.41 per $100 of Assessed Valuation for 2021, consisting of debt service and maintenance taxes of $0.14 and $0.27 per $100 of Assessed Valuation, respectively. See "TAX DATA - Maintenance Tax" and - "Historical Values and Tax Collection History."

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption in the amount of $20,000 of assessed valuation for persons 65 years of age and older and individuals who are under disability for purpose of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or (ii) a first responder (as defined under Texas law) who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (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. For 2021, the District has not granted a general residential homestead exemption.

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

Assessment and Levy

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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 Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the appraisal review board may appeal the final determination by the appraisal review board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

The rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the District), 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 ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

District and Taxpayer Remedies

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

The Property Tax Code 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.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “Rollback of Operation and Maintenance Tax Rate” below. 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.

Collection

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

District's Rights in the Event of Tax Delinquencies

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

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

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. 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. For the 2021 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Houston, Texas, or any political subdivision other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source of Payment."

Common Factors Affecting Taxable Values and Tax Payments

A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences and commercial buildings that have been constructed within the District. The market value of such homes is related to general economic conditions affecting the demand for residences. The market value of residential dwellings and commercial buildings can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for new commercial improvements and the value of existing improvements (see "Potential Effects of Oil Price Fluctuations on the Houston Area" below). Although development of the District has occurred to date as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any future residential or commercial development or home construction in the District other thanthat which has occurred to date.

National Economy: The commercial development and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development of the District has occurred to date as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," the District cannot predict the pace or magnitude of any future residential or commercial development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local and national housing and financial markets may have on the Houston market generally and the District specifically.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on multi-family residential and commercial development activity and the construction of multi-family residential and commercial improvements, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which multi-family residential and commercial developers are able to finance new multi-family and commercial projects. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of multi-family residential builders and commercial developers to initiate the construction of multi-family residential or commercial improvements. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development or commercial improvements within the District. In addition, since the District is located approximately 22 miles north of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of new apartments or commercial/retail buildings in the District and restrain the growth of the District's property tax base.

Maximum Impact on District Tax Rates

Assuming no further construction of taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement of the Outstanding Bonds and the Bonds will be $700,400 (2050) and the Average Annual Debt Service Requirements will be $648,251 (2023 through 2050 inclusive). The 2021 Assessed Valuation of property within the District is $412,940,770. Assuming no increase to or decrease from the 2021 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of $0.18 and $0.17 per $100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. See "TAX DATA - Tax Rate Calculations."

The District levied a tax rate of $0.41 per $100 of Assessed Valuation for 2021, consisting of debt service and maintenance taxes of $0.14 and $0.27 per $100 of Assessed Valuation, respectively. As the above calculations indicate, the 2021 debt service tax rate of $0.14 per $100 of Assessed Valuation will not be sufficient to pay the Average Annual and Maximum Annual Debt Service Requirements on the Outstanding Bonds and the Bonds, assuming taxable values in the District at the level of the 2021 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. However, as is illustrated under the caption "TAX DATA - Historical Values and Tax Collection History," the District had collected an average of 99.85% of its tax levies for the period 2011 through 2020, as of December 31, 2021. Moreover, the District's Debt Service Fund balance was $474,656 as of January 10, 2022. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS "). In the last two years the District has raised the debt service tax rate in anticipation of the issuance of the Bonds and may continue to raise the debt service tax rate to meet the debt service requirements of the Bonds and the Outstanding Bonds. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "THE BONDS - Registered Owners' Remedies," "TAXING PROCEDURES," and "TAX DATA - Estimated Overlapping Taxes."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property, (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below, or (e) insufficient foreclosure bids to satisfy the tax liens of all taxing authorities which have 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. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Orders do not 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

Future Debt

The District has reserved in the Bond Order the right to issue the remaining $915,000 in bonds authorized but unissued for waterworks, sanitary sewer and drainage facilities, and the $9,870,000 for refunding purposes, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District also has reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds authorized for waterworks, sanitary sewer and drainage facilities which have heretofore been authorized by voters of the District may be issued by the District from time to time as needed. The issuance of such $915,000 in bonds for waterworks, sanitary sewer and drainage facilities is also subject to TCEQ authorization. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. If the District were to need to issue more than $915,000 in additional bonds, authorization for such issuance would need to be granted by the district's voters at an election for such purpose. The District will finance the acquisition or construction of components of the System and other facilities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS." The District will have, with the issuance of the Prior Bonds and the Bonds, financed all of the components of the System and other facilities serving all of the aforementioned subdivisions and commercial property that have been developed within the District. Therefore, the District does not currently expect to issue additional bonds for water, sanitary sewer and drainage facilities, unless future repairs or improvements to the System or annexation of land into the District necessitate such issuance. See "THE BONDS - Legal Ability to Issue Additional Debt" and "THE SYSTEM."

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Competitive Nature of Houston Multi-Family Residential and Commercial Markets

The multi-family residential and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that any future multi-family residential or commercial projects will be undertaken within the District other than those that have been heretofore undertaken therein, or that additional multi-family residential or commercial improvements will be constructed within the District. The likelihood of the construction of apartments or commercial buildings or the initiation of any new multi-family residential or commercial development projects in the District is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

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

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.

In June and July of 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. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting "waters of the United States" consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. 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.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer 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 jurisdictions 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.

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., "500 year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Operator and Engineer, the District's System did not sustain any material damage from Hurricane Harvey and there was no interruption of water or sewer service as a result of the storm. Some structures within the District experienced structural flooding as a result of Hurricane Harvey.

A more damaging event occurred on April 17-18, 2016 (the "Tax Day Storm"). For a time period less than 24 hours, rainfall with the District was more intense than Hurricane Harvey, and Horsepen Creek exceeded its banks to flood at a higher elevation than occurred during Hurricane Harvey. According to a drainage report performed for the District, an estimated 257 residential structures were flooded in the Tax Day Storm. All of such residences have been repaired except for one lot that was purchased by Harris County Flood Control District in a buyout program which shall remain undeveloped in perpetuity.

A portion of the proceeds of the sale of the Bonds will be used to (i) fund the District's 50% participation in Harris County projects to make drainage improvements, in response to the Tax Day Storm 2016 and Hurricane Harvey 2017, to the subdivisions of (1) Hearthstone Green Section 1, (2) Hearthstone Meadows Section 1, (3) Fairway West Section 1, (4) Hearthstone Section 1, and (5) Avila Court Estates, (ii) purchase property downstream of the District, through eminent domain, for a detention pond to mitigate drainage impacts of the Harris County projects and future projects, and (iii) construct the mitigation detention pond.

On September 27, 2018, the National Oceanic and Atmospheric Administration ("NOAA") released Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Atlas 14 found significantly higher rainfall frequency values in Harris County; values previously classified as 100-year event are now more frequent events. Flood plain boundaries are expected to be redrawn based on Atlas 14, resulting in higher flood plain elevations. Such changes could result in structures in the District being located in the Special Flood Hazard Area (100-year flood).

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

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 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.

Infectious Disease Outbreak (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 2021 and a decrease in active COVID-19 cases generally in the United States, 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.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values 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.

Changes in Tax Legislation

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

Approval of the Bonds

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinions of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District will also furnish the approving legal opinions of Bond Counsel to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinions of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District. Bond Counsel's opinions will also address the matters described below under the caption "TAX MATTERS." Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Bond Counsel acts as counsel for the District on matters other than the issuance of bonds.

In its capacity as Bond Counsel, Bacon, Wallace & Philbin, L.L.P., has reviewed the information appearing in this Official Statement under "THE BONDS (except the for the information under the subheading "Book-Entry-Only System")," "TAXING PROCEDURES," "THE DISTRICT - Authority" and - "Management of the District - Counsel," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION (except the for the information under the subheading "Compliance With Prior Undertakings")" solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein and conforms to the requirements of applicable laws and ordinances of the City of Houston, Texas, with regard to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has Bond Counsel conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of the information contained in this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to, the accuracy or completeness of any of the other factual information contained herein.

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986 (the "Code") and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, of which the District has notice, either in state or federal courts, contesting or attacking the Bonds; to restrain or enjoin the issuance, execution or delivery of the Bonds; which would affect the provisions made for the payment of or security for the Bonds; which would in any manner question the authority or proceedings for the issuance, execution, or delivery of the Bonds; or which would affect the validity of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bacon, Wallace & Philbin, L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes; and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included in the alternative minimum taxable income of individuals under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matter. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for certain of the Bonds, as stated on the cover of the Official Statement, is less than the principal amount thereof (the "Original Issue Discount Bonds"). As such, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds.

Under Existing Law, such an owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period for which such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Harris County Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under the caption "Certification of Official Statement." The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The financial statements of the District as of June 30, 2021, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned "THE SYSTEM" has been provided by Vogler & Spencer Engineering, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to the assessed valuations of property generally and, in particular, that information concerning principal taxpayers, tax collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Harris County Appraisal District and Bob Leared Interests. The District has included certain information herein in reliance upon Bob Leared Interests's authority as an expert in the field of tax assessing and real property appraisal.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or 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; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" and "TAX DATA" and in "APPENDIX B" (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2022.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement only if (1) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in the identity, nature, or status of the District; (2) the agreement, as amended, would have complied with the Rule at the date of sale of the Bonds, taking into account any amendments or interpretations of the Rule as well as any change in circumstances; and (3) the District receives an opinion of nationally recognized bond counsel to the effect that the amendment does not materially impair the interests of the holders and beneficial owners of the Bonds. If any such amendment is made, the District will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in connection with the Prior Bonds in accordance with the Rule, except that the financial statements due on December 31, 2018, together with a notice of late filing, were filed on January 4, 2019.

This Official Statement was approved by the Board of Directors of Spencer Road Public Utility District as of the date shown on the first page hereof.

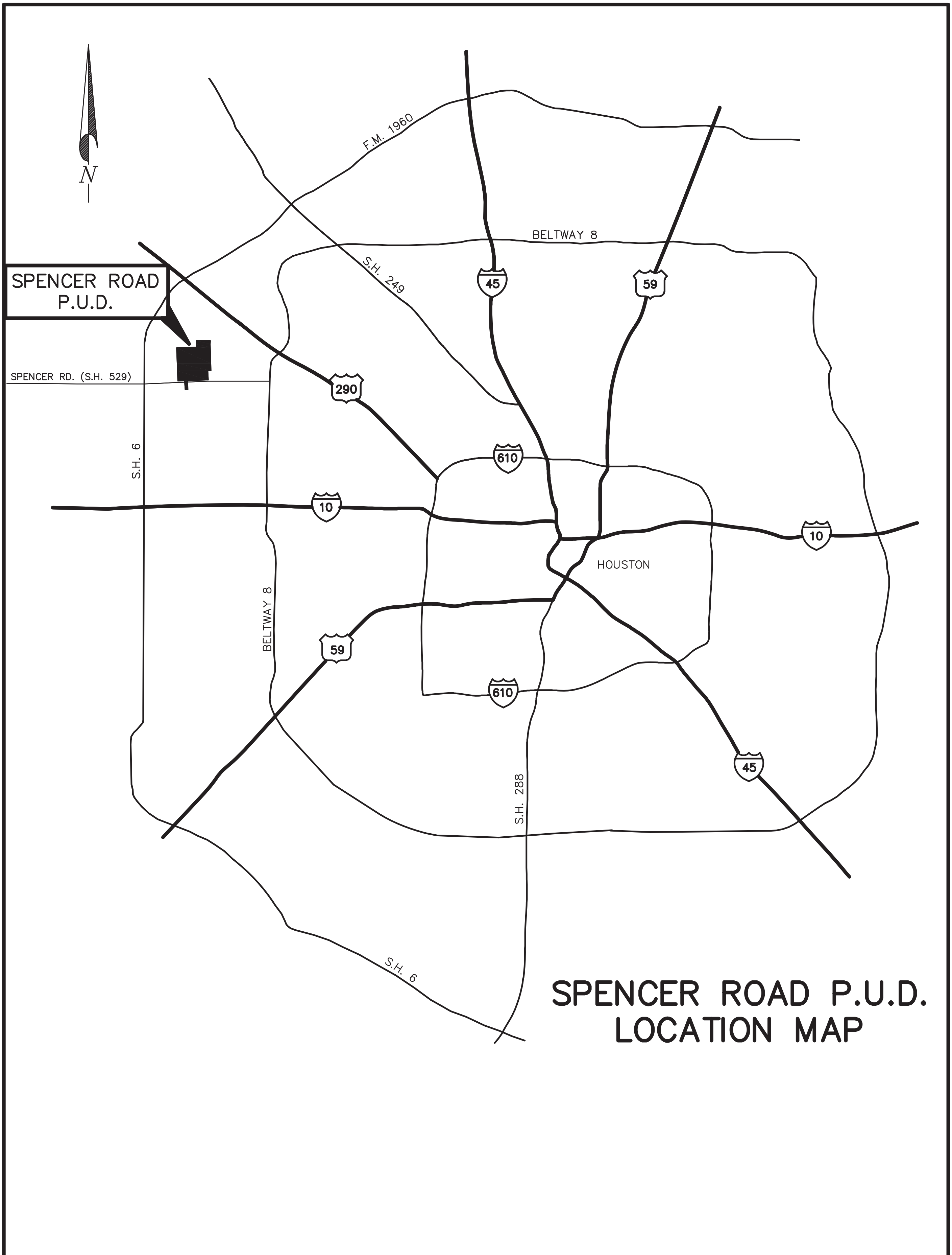
/s/ Wayne Ahrens
President, Board of Directors
Spencer Road Public Utility District

ATTEST:

/s/ Bill Heitkamp
Secretary, Board of Directors
Spencer Road Public Utility District

APPENDIX A

LOCATION MAP



APPENDIX B

SPENCER ROAD PUBLIC UTILITY DISTRICT

HARRIS COUNTY, TEXAS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2021

Spencer Road Public Utility District

Harris County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2021

BKD

CPAs & Advisors

Spencer Road Public Utility District
June 30, 2021

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Spencer Road Public Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Spencer Road Public Utility District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2021, and the respective changes in financial position thereof 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 budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
November 8, 2021

Spencer Road Public Utility District
Management's Discussion and Analysis
June 30, 2021

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities, which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Spencer Road Public Utility District

Management's Discussion and Analysis (Continued)

June 30, 2021

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2021	2020
Current and other assets	$ 5,692,795	$ 5,403,348
Capital assets	6,302,351	5,481,391
Total assets	11,995,146	10,884,739
Deferred outflows of resources	69,254	73,548
Total assets and deferred outflows of resources	$ 12,064,400	$ 10,958,287
Long-term liabilities	$ 4,329,687	$ 2,721,938
Other liabilities	352,226	488,600
Total liabilities	4,681,913	3,210,538
Net position:		
Net investment in capital assets	2,041,918	2,833,001
Restricted	618,255	425,448
Unrestricted	4,722,314	4,489,300
Total net position	$ 7,382,487	$ 7,747,749

The total net position of the District decreased by $365,262, or about 5 percent. The majority of the decrease in net position is related to conveyance of capital assets to another governmental entity for ownership and maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Spencer Road Public Utility District

Management's Discussion and Analysis (Continued)

June 30, 2021

Summary of Changes in Net Position

	2021	2020
Revenues:		
Property taxes	$ 1,490,424	$ 1,301,497
Charges for services	1,550,037	1,523,233
Other revenues	170,519	130,884
Total revenues	3,210,980	2,955,614
Expenses:		
Services	2,433,065	2,418,483
Conveyance of capital assets	665,122	-
Depreciation	395,526	366,854
Debt service	82,529	85,755
Total expenses	3,576,242	2,871,092
Change in net position	(365,262)	84,522
Net position, beginning of year	7,747,749	7,663,227
Net position, end of year	$ 7,382,487	$ 7,747,749

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2021, were $4,980,672, an increase of $463,282 from the prior year.

The general fund's fund balance increased by $273,253. This increase was primarily related to property taxes, service revenues and capital contribution refund exceeding service operations and capital outlay expenditures.

The debt service fund's fund balance increased by $199,275 because property tax revenues generated were greater than bond principal and interest requirements.

The capital projects fund's fund balance decreased by $9,246 due to capital outlay expenditures being greater than investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes revenue, tap connection fees, and repairs and maintenance expenditures being greater than anticipated and capital outlay expenditures being less than anticipated. In addition, regional water fee and tap connection expenditures, insurance proceeds, and capital contribution refund from West Harris County Regional Water Authority (the Authority) were not included in the budget. The fund balance as of June 30, 2021, was expected to be $4,250,420 and the actual end-of-year fund balance was $4,354,410.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital Assets (Net of Accumulated Depreciation)

	2021	2020
Land and improvements	$ 1,265,152	$ 924,587
Construction in progress	145,213	179,985
Water facilities	1,533,671	1,358,658
Wastewater facilities	2,541,618	2,034,680
Recreational facilities	816,697	983,481
Total capital assets	$ 6,302,351	$ 5,481,391

During the current year, additions to capital assets were as follows:

Construction in progress related to the design of water well No. 4	$ 2,333
Shining Sumac utility extensions and detention pond	691,106
Water plant No. 2 and water well No. 3 improvements	39,230
Shining Sumac lift station	432,091
Improvements at the sewage treatment plant	51,726
Total additions to capital assets	$ 1,216,486

A developer of the District has constructed facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs, plus interest, from the proceeds of future bond sales or available funds, to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are $1,744,380. These amounts have been recorded in the financial statements as long-term liabilities.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2021, are summarized as follows:

Long-term debt payable, beginning of year	$	2,721,938
Increases in long-term debt		1,744,380
Decreases in long-term debt		136,631
Long-term debt payable, end of year	$	4,329,687

At June 30, 2021, the District had $10,865,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A+" from Standard & Poor's. The Series 2015 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Water Trunkline Financing Agreement

In May 2002, the District and several other surrounding districts (the Participants) entered into a Water Trunkline Financing Agreement (the Agreement) with the Authority. The Agreement calls for the Participants to pay a pro rata share of costs to the Authority for the construction of surface water transmission facilities to serve the Participants. The Agreement also required the District to make a capital contribution of $800,000, which was paid in 2003. The District is receiving repayment of the amount advanced through credits for District pumpage fees and water payments as they become due each year. In addition, any amounts owed to the District that remain after the credits will be repaid to the District. These payments accrue interest at 4.547 percent per year and will be repaid with principal and interest from 2009 through 2029.

Spencer Road Public Utility District

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 129,193	$ 37,464	$ -	$ 166,657	$ -	$ 166,657
Short-term investments	4,415,546	592,107	-	5,007,653	-	5,007,653
Receivables:						
Property taxes	24,825	9,550	-	34,375	-	34,375
Service accounts	130,730	-	-	130,730	-	130,730
Accrued penalty and interest	-	-	-	-	10,301	10,301
Interfund receivable	-	164	-	164	(164)	-
Due from regional water authority	-	-	-	-	343,079	343,079
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	1,265,152	1,265,152
Construction in progress	-	-	-	-	145,213	145,213
Infrastructure	-	-	-	-	4,891,986	4,891,986
Total assets	4,700,294	639,285	0	5,339,579	6,655,567	11,995,146
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	69,254	69,254
Total assets and deferred outflows of resources	$ 4,700,294	$ 639,285	$ 0	$ 5,339,579	$ 6,724,821	$ 12,064,400

Spencer Road Public Utility District

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 216,049	$ 3,473	$ -	$ 219,522	$ -	$ 219,522
Accrued interest payable	-	-	-	-	27,858	27,858
Due to others	1,930	-	-	1,930	-	1,930
Customer deposits	102,916	-	-	102,916	-	102,916
Interfund payable	164	-	-	164	(164)	-
Long-term liabilities:						
Due within one year	-	-	-	-	135,000	135,000
Due after one year	-	-	-	-	4,194,687	4,194,687
Total liabilities	321,059	3,473	0	324,532	4,357,381	4,681,913
Deferred Inflows of Resources						
Deferred property tax revenues	24,825	9,550	0	34,375	(34,375)	0
Fund Balances/Net Position						
Fund balances:						
Restricted, unlimited tax bonds	-	626,262	-	626,262	(626,262)	-
Unassigned	4,354,410	-	-	4,354,410	(4,354,410)	-
Total fund balances	4,354,410	626,262	0	4,980,672	(4,980,672)	0
Total liabilities, deferred inflows of resources and fund balances	$ 4,700,294	$ 639,285	$ 0	$ 5,339,579		
Net position:						
Net investment in capital assets					2,041,918	2,041,918
Restricted for debt service					618,255	618,255
Unrestricted					4,722,314	4,722,314
Total net position					$ 7,382,487	$ 7,382,487

Spencer Road Public Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 1,047,751	$ 445,105	$ -	$ 1,492,856	$ (2,432)	$ 1,490,424
Water service	388,194	-	-	388,194	-	388,194
Sewer service	454,955	-	-	454,955	-	454,955
Regional water fee	706,888	-	-	706,888	-	706,888
Penalty and interest	22,440	15,492	-	37,932	1,450	39,382
Tap connection and inspection fees	85,723	-	-	85,723	-	85,723
Investment income	7,280	674	6	7,960	16,497	24,457
Other income	148	-	-	148	20,809	20,957
Total revenues	2,713,379	461,271	6	3,174,656	36,324	3,210,980
Expenditures/Expenses						
Service operations:						
Purchased services	683,979	-	-	683,979	-	683,979
Regional water fee	58,871	-	-	58,871	-	58,871
Professional fees	175,306	3,978	-	179,284	-	179,284
Contracted services	531,249	34,578	-	565,827	-	565,827
Utilities	84,015	-	-	84,015	-	84,015
Repairs and maintenance	678,378	-	-	678,378	18,396	696,774
Other expenditures	128,251	7,490	-	135,741	-	135,741
Tap connections	28,574	-	-	28,574	-	28,574
Capital outlay	146,372	-	9,252	155,624	(155,624)	-
Conveyance of capital assets	-	-	-	-	665,122	665,122
Depreciation	-	-	-	-	395,526	395,526
Debt service:						
Principal retirement	-	130,000	-	130,000	(130,000)	-
Interest and fees	-	85,950	-	85,950	(3,421)	82,529
Total expenditures/expenses	2,514,995	261,996	9,252	2,786,243	789,999	3,576,242
Excess (Deficiency) of Revenues Over Expenditures	198,384	199,275	(9,246)	388,413	(753,675)	
Other Financing Sources						
Capital contribution refund	54,060	-	-	54,060	(54,060)	
Insurance proceeds	20,809	-	-	20,809	(20,809)	
Total other financing sources	74,869	0	0	74,869	(74,869)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	273,253	199,275	(9,246)	463,282	(463,282)	
Change in Net Position					(365,262)	(365,262)
Fund Balances/Net Position						
Beginning of year	4,081,157	426,987	9,246	4,517,390	-	7,747,749
End of year	$ 4,354,410	$ 626,262	$ 0	$ 4,980,672	$ 0	$ 7,382,487

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Spencer Road Public Utility District (the District) was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. The District also provides solid waste disposal services.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities, which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District, which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2021, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2021, the 2020 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Recreational facilities	15

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$	6,302,351
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		34,375
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.		10,301
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.		69,254
Amount due from the West Harris County Regional Water Authority (the Authority) is not receivable in the current period and is not reported in the funds.		343,079

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	$	(27,858)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(4,329,687)
Adjustment to fund balances to arrive at net position.	$	2,401,815

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	$	463,282
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which conveyance of capital assets, depreciation expense and noncapitalized costs exceeded capital outlay expenditures in the current period.		(923,420)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.		130,000
Capital contribution refund is an other financing source in the governmental funds, but is a reduction of due from the Authority and an increase to investment income in the government-wide financial statements.		(37,563)
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(982)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		3,421
Change in net position of governmental activities.	$	(365,262)

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At June 30, 2021, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At June 30, 2021, the District had the following investments and maturities.

Type	Fair Value	Maturities in Years: Less Than 1	1-5	6-10	More Than 10
Texas CLASS	$ 5,007,653	$ 5,007,653	$ 0	$ 0	$ 0

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at June 30, 2021, as follows:

Carrying value:	
Deposits	$ 166,657
Investments	5,007,653
Total	$ 5,174,310

Investment Income

Investment income of $24,457 for the year ended June 30, 2021, consisted of $7,960 of interest income on deposits and investments and $16,497 of interest on capital contributions with the Authority.

Fair Value Measurements

The District has the following recurring fair value measurements as of June 30, 2021:

- Pooled investments of $5,007,653 are valued at fair value per share of the pool's underlying portfolio.

Spencer Road Public Utility District
Notes to Financial Statements
June 30, 2021

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi-cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 924,587	$ 303,460	$ 37,105	$ 1,265,152
Construction in progress	179,985	2,333	(37,105)	145,213
Total capital assets, non-depreciable	1,104,572	305,793	0	1,410,365
Capital assets, depreciable:				
Water production and distribution facilities	4,238,537	245,453	-	4,483,990
Wastewater collection and treatment facilities	5,354,561	665,240	-	6,019,801
Recreational facilities	2,911,621	-	-	2,911,621
Total capital assets, depreciable	12,504,719	910,693	0	13,415,412
Less accumulated depreciation:				
Water production and distribution facilities	(2,879,879)	(70,440)	-	(2,950,319)
Wastewater collection and treatment facilities	(3,319,881)	(158,302)	-	(3,478,183)
Recreational facilities	(1,928,140)	(166,784)	-	(2,094,924)
Total accumulated depreciation	(8,127,900)	(395,526)	0	(8,523,426)
Total governmental activities, net	$ 5,481,391	$ 820,960	$ 0	$ 6,302,351

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 2,420,000	$ -	$ 130,000	$ 2,290,000	$ 135,000
Add premiums on bonds	113,588	-	6,631	106,957	-
	2,533,588	0	136,631	2,396,957	0
Due to developer	188,350	1,744,380	-	1,932,730	-
Total governmental activities long-term liabilities	$ 2,721,938	$ 1,744,380	$ 136,631	$ 4,329,687	$ 135,000

General Obligation Bonds

	Refunding Series 2015
Amount outstanding, June 30, 2021	$2,290,000
Interest rates	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2033
Interest payment dates	September 1/ March 1
Callable date*	September 1, 2022

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2021:

Year	Principal	Interest	Total
2022	$ 135,000	$ 81,888	$ 216,888
2023	145,000	78,025	223,025
2024	145,000	73,675	218,675
2025	150,000	69,250	219,250
2026	160,000	64,600	224,600
2027-2031	905,000	224,100	1,129,100
2032-2034	650,000	39,600	689,600
Total	$ 2,290,000	$ 631,138	$ 2,921,138

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	$ 29,050,000
Bonds sold	18,185,000
Refunding bonds voted	24,400,000
Refunding bonds sold	14,530,000

Due to Developer

A developer of the District has constructed facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs, plus interest, from the proceeds of future bond sales or available funds, to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are $1,932,730. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

The Bond Order requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2021, the District levied an ad valorem debt service tax at the rate of $0.1150 per $100 of assessed valuation, which resulted in a tax levy of $446,157 on the taxable valuation of $387,962,810 for the 2020 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are $215,200 of which $43,413 has been paid and $171,787 is due September 1, 2021.

Note 6: Maintenance Taxes

At an election held April 6, 1974, voters authorized a maintenance tax not to exceed $1.00 per $100 valuation on all property within the District subject to taxation. During the year ended June 30, 2021, the District levied an ad valorem maintenance tax at the rate of $0.2700 per $100 of assessed valuation, which resulted in a tax levy of $1,047,500 on the taxable valuation of $387,962,810 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Surface Water Conversion

Regional Water Authority

The District is within the boundaries of the Authority, which was created by the Texas Legislature to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the

Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of June 30, 2021, the Authority was billing the District $3.45 per 1,000 gallons of water pumped from its wells and $3.85 per 1,000 gallons of surface water received. These amounts are subject to future increases.

Water Trunkline Financing Agreement

In May 2002, the District and Harris County Municipal Utility District Nos. 130, 162, 163, 179, 186, 188 and 208 (the Participants) entered into a Water Trunkline Financing Agreement (the Agreement) with the Authority. Under the terms of the Agreement, the Participants were required to advance to the Authority a pro rata share of costs associated with the construction of surface water transmission facilities to serve the Participants. In 2003, the District made a capital contribution of $800,000 to the Authority pursuant to the Agreement. The District is receiving repayment of the amount advanced through credits for District pumpage fees and water payments as they become due each year. In addition, any amounts owed to the District that remain after the credits will be paid to the District. These repayments accrue interest at 4.547 percent per year and will be repaid with principal and interest from 2009 through 2029. At June 30, 2021, the repayments outstanding are as follows:

Year	Amount
2022	$ 54,060
2023	54,060
2024	54,060
2025	54,060
2026	54,060
2027-2029	133,395
	403,695
Less interest	60,616
Remaining principal	$ 343,079

Note 8: 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 participates along with other entities in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Spencer Road Public Utility District
Notes to Financial Statements
June 30, 2021

Note 9: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Spencer Road Public Utility District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 961,886	$ 1,047,751	$ 85,865
Water service	409,300	388,194	(21,106)
Sewer service	500,000	454,955	(45,045)
Regional water fee	704,600	706,888	2,288
Penalty and interest	24,155	22,440	(1,715)
Tap connection and inspection fees	359	85,723	85,364
Investment income	21,816	7,280	(14,536)
Other income	240	148	(92)
Total revenues	2,622,356	2,713,379	91,023
Expenditures			
Service operations:			
Purchased services	704,600	683,979	20,621
Regional water fee	-	58,871	(58,871)
Professional fees	185,000	175,306	9,694
Contracted services	530,034	531,249	(1,215)
Utilities	100,000	84,015	15,985
Repairs and maintenance	516,899	678,378	(161,479)
Other expenditures	116,560	128,251	(11,691)
Tap connections	-	28,574	(28,574)
Capital outlay	300,000	146,372	153,628
Total expenditures	2,453,093	2,514,995	(61,902)
Excess of Revenues Over Expenditures	169,263	198,384	29,121
Other Financing Sources			
Capital contribution refund	-	54,060	54,060
Insurance proceeds	-	20,809	20,809
Total other financing sources	0	74,869	74,869
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	169,263	273,253	103,990
Fund Balance, Beginning of Year	4,081,157	4,081,157	-
Fund Balance, End of Year	$ 4,250,420	$ 4,354,410	$ 103,990

Spencer Road Public Utility District
Notes to Required Supplementary Information
June 30, 2021

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2021.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Spencer Road Public Utility District
Other Schedules Included Within This Report
June 30, 2021

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-25

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel and Consultants

Spencer Road Public Utility District

Schedule of Services and Rates

Year Ended June 30, 2021

1. Services provided by the District:

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
X Parks/Recreation	___ Fire Protection	___ Security
X Solid Waste/Garbage	___ Flood Control	___ Roads

___ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
___ Other ___

2. Retail service providers

a. Retail rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 12.80	6,000	N	$ 1.25	6,001	to	10,000
				$ 1.75	10,001	to	20,000
				$ 2.00	20,001	to	40,000
				$ 2.25	40,001	to	No Limit
Wastewater:	$ 25.00	0	Y				
Regional water fee:	$ 4.04	1	N	$ 4.04	1,001	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 58.20 Wastewater $ 25.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	1,475	1,475	x1.0	1,475
1"	30	30	x2.5	75
1 1/2"	3	3	x5.0	15
2"	25	25	x8.0	200
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	1	1	x50.0	50
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,535	1,535		1,830
Total wastewater	1,490	1,490	x1.0	1,490

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	201,804
Gallons billed to customers:	187,847
Water accountability ratio (gallons billed/gallons pumped):	93.08%

*"ESFC" means equivalent single-family connections

Spencer Road Public Utility District

Schedule of General Fund Expenditures

Year Ended June 30, 2021

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 20,000	
Legal	65,525	
Engineering	89,781	
Financial advisor	-	175,306
Purchased Services for Resale		
Bulk water and wastewater service purchases		683,979
Regional Water Fee		58,871
Contracted Services		
Bookkeeping	23,169	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	177,998	201,167
Utilities		84,015
Repairs and Maintenance		678,378
Administrative Expenditures		
Directors' fees	9,450	
Office supplies	3,271	
Insurance	54,245	
Other administrative expenditures	61,285	128,251
Capital Outlay		
Capitalized assets	137,228	
Expenditures not capitalized	9,144	146,372
Tap Connection Expenditures		28,574
Solid Waste Disposal		330,082
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 2,514,995

Spencer Road Public Utility District

Schedule of Temporary Investments

June 30, 2021

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Texas CLASS	0.06%	Demand	$ 4,415,546	$ -
Debt Service Fund				
Texas CLASS	0.06%	Demand	592,107	-
Totals			$ 5,007,653	$ 0

Spencer Road Public Utility District
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2021

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 27,501	$ 9,306
Additions and corrections to prior years' taxes	(2,425)	(808)
Adjusted receivable, beginning of year	25,076	8,498
2020 Original Tax Levy	902,778	384,516
Additions and corrections	144,722	61,641
Adjusted tax levy	1,047,500	446,157
Total to be accounted for	1,072,576	454,655
Tax collections: Current year	(1,035,229)	(440,931)
Prior years	(12,522)	(4,174)
Receivable, end of year	$ 24,825	$ 9,550
Receivable, by Years		
2020	$ 12,271	$ 5,226
2019	4,320	1,440
2018	3,635	1,212
2017	2,051	684
2016	1,134	420
2015	1,217	496
2014	197	72
Receivable, end of year	$ 24,825	$ 9,550

Spencer Road Public Utility District

Analysis of Taxes Levied and Receivable (Continued)

Year Ended June 30, 2021

	2020	2019	2018	2017
Property Valuations				
Land	$ 83,389,803	$ 79,034,918	$ 75,289,357	$ 73,590,210
Improvements	321,242,276	297,699,657	304,786,102	304,947,294
Personal property	10,649,142	9,856,513	9,759,070	9,099,515
Exemptions	(27,318,411)	(23,090,653)	(22,584,032)	(24,013,961)
Total property valuations	$ 387,962,810	$ 363,500,435	$ 367,250,497	$ 363,623,058
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.1150	$ 0.0900	$ 0.0900	$ 0.0900
Maintenance tax rates*	0.2700	0.2700	0.2700	0.2700
Total tax rates per $100 valuation	$ 0.3850	$ 0.3600	$ 0.3600	$ 0.3600
Tax Levy	$ 1,493,657	$ 1,308,603	$ 1,322,102	$ 1,309,043
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

*Maximum tax rate approved by voters: $1.00 on April 6, 1974

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Spencer Road Public Utility District

Schedule of Long-term Debt Service Requirements by Years

June 30, 2021

	Refunding Series 2015		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 135,000	$ 81,888	$ 216,888
2023	145,000	78,025	223,025
2024	145,000	73,675	218,675
2025	150,000	69,250	219,250
2026	160,000	64,600	224,600
2027	165,000	58,900	223,900
2028	170,000	52,200	222,200
2029	180,000	45,200	225,200
2030	190,000	37,800	227,800
2031	200,000	30,000	230,000
2032	210,000	21,800	231,800
2033	215,000	13,300	228,300
2034	225,000	4,500	229,500
Totals	$ 2,290,000	$ 631,138	$ 2,921,138

Spencer Road Public Utility District
Changes in Long-term Bonded Debt
Year Ended June 30, 2021

	Bond Issue Refunding Series 2015
Interest rates	2.00% to 4.00%
Dates interest payable	September 1/ March 1
Maturity dates	September 1, 2021/2033
Bonds outstanding, beginning of current year	$ 2,420,000
Retirements, principal	130,000
Bonds outstanding, end of current year	$ 2,290,000
Interest paid during current year	$ 85,200

Paying agent's name and address:

Series 201 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	$ 26,330,000	$ 2,720,000	$ 24,400,000
Amount issued	$ 15,465,000	$ 2,720,000	$ 14,530,000
Remaining to be issued	$ 10,865,000	$ -	$ 9,870,000

Debt service fund cash and temporary investment balances as of June 30, 2021:	$ 629,571
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 224,703

Spencer Road Public Utility District

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended June 30,

	Amounts				
	2021	2020	2019	2018	2017
General Fund					
Revenues					
Property taxes	$ 1,047,751	$ 968,343	$ 988,148	$ 985,315	$ 936,764
Water service	388,194	395,364	379,682	410,153	438,664
Sewer service	454,955	442,813	434,185	395,776	411,831
Regional water fee	706,888	685,056	603,322	618,249	565,667
Penalty and interest	22,440	23,631	23,856	23,035	30,404
Tap connection and inspection fees	85,723	335	-	-	17,915
Investment income	7,280	69,655	98,697	57,024	20,897
Other income	148	318	-	-	-
Total revenues	2,713,379	2,585,515	2,527,890	2,489,552	2,422,142
Expenditures					
Service operations:					
Purchased services	683,979	650,041	521,507	525,830	597,588
Regional water fees	58,871	46,940	108,621	89,235	33,369
Professional fees	175,306	156,952	287,484	170,965	185,500
Contracted services	531,249	512,233	509,400	483,121	489,751
Utilities	84,015	85,486	88,546	103,518	109,015
Repairs and maintenance	678,378	524,524	659,164	592,321	716,755
Other expenditures	128,251	119,289	111,175	108,946	89,396
Tap connections	28,574	3,145	-	-	4,819
Capital outlay	146,372	611,994	116,343	155,796	223,515
Total expenditures	2,514,995	2,710,604	2,402,240	2,229,732	2,449,708
Excess (Deficiency) of Revenues Over Expenditures	198,384	(125,089)	125,650	259,820	(27,566)
Other Financing Sources					
Capital contribution refund	54,060	54,060	54,060	54,060	54,060
Insurance proceeds	20,809	-	-	-	-
Total other financing sources	74,869	54,060	54,060	54,060	54,060
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	273,253	(71,029)	179,710	313,880	26,494
Fund Balance, Beginning of Year	4,081,157	4,152,186	3,972,476	3,658,596	3,632,102
Fund Balance, End of Year	$ 4,354,410	$ 4,081,157	$ 4,152,186	$ 3,972,476	$ 3,658,596
Total Active Retail Water Connections	1,535	1,535	1,534	1,534	1,534
Total Active Retail Wastewater Connections	1,490	1,490	1,490	1,490	1,490

Percent of Fund Total Revenues

2021	2020	2019	2018	2017
38.6 %	37.5 %	39.1 %	39.6 %	38.7 %
14.3	15.3	15.0	16.5	18.1
16.7	17.1	17.2	15.9	17.0
26.1	26.5	23.9	24.8	23.3
0.8	0.9	0.9	0.9	1.3
3.2	0.0	-	-	0.7
0.3	2.7	3.9	2.3	0.9
0.0	0.0	-	-	-
100.0	100.0	100.0	100.0	100.0
25.2	25.1	20.6	21.1	24.7
2.2	1.8	4.3	3.6	1.4
6.4	6.1	11.4	6.9	7.7
19.6	19.8	20.1	19.4	20.2
3.1	3.3	3.5	4.2	4.5
25.0	20.3	26.1	23.8	29.6
4.7	4.6	4.4	4.4	3.7
1.1	0.1	-	-	0.2
5.4	23.7	4.6	6.3	9.2
92.7	104.8	95.0	89.7	101.2
7.3 %	(4.8) %	5.0 %	10.3 %	(1.2) %

Spencer Road Public Utility District

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended June 30,

	Amounts				
	2021	2020	2019	2018	2017
Debt Service Fund					
Revenues					
Property taxes	$ 445,105	$ 322,785	$ 329,566	$ 331,932	$ 347,181
Penalty and interest	15,492	10,196	11,356	17,730	7,333
Investment income	674	4,688	6,004	6,967	4,496
Total revenues	461,271	337,669	346,926	356,629	359,010
Expenditures					
Current:					
Professional fees	3,978	2,544	3,631	3,967	1,913
Contracted services	34,578	33,468	31,024	31,348	30,727
Other expenditures	7,490	7,007	7,175	8,314	5,690
Debt service:					
Principal retirement	130,000	130,000	425,000	425,000	445,000
Interest and fees	85,950	88,875	96,675	110,050	142,400
Total expenditures	261,996	261,894	563,505	578,679	625,730
Excess (Deficiency) of Revenues Over Expenditures	199,275	75,775	(216,579)	(222,050)	(266,720)
Fund Balance, Beginning of Year	426,987	351,212	567,791	789,841	1,056,561
Fund Balance, End of Year	$ 626,262	$ 426,987	$ 351,212	$ 567,791	$ 789,841

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
96.5 %	95.6 %	95.0 %	93.1 %	96.7 %
3.4	3.0	3.3	5.0	2.0
0.1	1.4	1.7	1.9	1.3
100.0	100.0	100.0	100.0	100.0
0.9	0.8	1.0	1.1	0.5
7.5	9.9	8.9	8.8	8.5
1.6	2.1	2.1	2.3	1.6
28.2	38.5	122.5	119.2	124.0
18.6	26.3	27.9	30.9	39.7
56.8	77.6	162.4	162.3	174.3
43.2 %	22.4 %	(62.4) %	(62.3) %	(74.3) %

Spencer Road Public Utility District

Board Members, Key Personnel and Consultants

Year Ended June 30, 2021

Complete District mailing address:	Spencer Road Public Utility District c/o Bacon, Wallace & Philbin, L.L.P. 6363 Woodway, Suite 800 Houston, Texas 77057-1762	
District business telephone number:	713.739.1060	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		June 6, 2018
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Wayne Ahrens	Elected 05/20- 05/24	$ 1,800	$ 0	President
Steve Bratten	Elected 05/18- 05/22	2,550	0	Vice President
Bill Heitkamp	Elected 05/18- 05/22	1,500	0	Secretary
Jim Schunneman	Elected 05/20- 05/24	1,350	0	Deputy Secretary
William Sharrett	Appointed 09/20- 05/24	2,250	0	Director
Richard Brotemarkle, Jr.	Elected 05/20- 07/20	0	0	Resigned

*Fees are the amounts actually paid to a director during the District's fiscal year.

Spencer Road Public Utility District

Board Members, Key Personnel and Consultants (Continued)

Year Ended June 30, 2021

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	08/20/91	$ 20,000	Auditor
Bacon, Wallace & Philbin, L.L.P.	05/13/91	72,123	Attorney
Bob Leared Interests	01/01/81	24,145	Tax Assessor/ Collector
Harris County Appraisal District	Legislative Action	10,433	Appraiser
Municipal Accounts & Consulting, L.P.	07/10/17	27,252	Bookkeeper
Rathmann & Associates, L.P.	04/28/03	0	Financial Advisor
Vogler & Spencer Engineering, Inc.	05/11/15	137,831	Engineer
Water Environmental Technical Services	12/09/91	674,824	Operator

Investment Officers			
Mark M. Burton and Ghia Lewis	08/14/17	N/A	Bookkeepers

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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