OFFICIAL STATEMENT DATED MARCH 15, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID AND BINDING OBLIGATIONS OF THE DISTRICT AND INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE – Book Entry Only

Insured Ratings (AGM):	S&P "AA"
	Moody's "A1"
Underlying Rating:	Moody's "Baa2"

See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

$7,925,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

(A Political Subdivision of the State of Texas Located in Harris County)

UNLIMITED TAX BONDS

SERIES 2022

Dated Date: April 1, 2022
Interest Accrues: Delivery Date **Due: March 1, as shown on inside cover**

The $7,925,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are obligations solely of Harris County Municipal Utility District No. 432 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas (the "City"); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to 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 Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which, in turn, will remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (expected to be April 20, 2022) (the "Delivery Date"), and is payable on September 1, 2022, and each March 1 and September 1 thereafter to the person in whose name the Bonds are registered as of the 15th calendar day of the month next preceding each interest payment date. Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such persons and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of $5,000 or any integral multiple thereof in fully registered form only.

ASSURED GUARANTY MUNICIPAL

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

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

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Young & Brooks, Houston, Texas, Bond Counsel. The Bonds, through the facilities of DTC, are expected to be available for delivery on or about April 20, 2022. See "LEGAL MATTERS."

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

$ 7,925,000

Unlimited Tax Bonds

Maturity (March 1)	Principal Amount		Interest Rate		Initial Reoffering Yield (a)		CUSIP Number (b)	Maturity (March 1)	Principal Amount		Interest Rate		Initial Reoffering Yield (a)		CUSIP Number (b)
2023	$ 175,000		3.00	%	1.50	%	41423A MY3	2030	$ 265,000	(c)	4.00	%	2.40	%	41423A NF3
2024	220,000		3.00		1.70		41423A MZ0	2031	275,000	(c)	4.00		2.45		41423A NG1
2025	225,000		4.00		1.90		41423A NA4	2032	280,000	(c)	3.00		3.00		41423A NH9
2026	235,000		4.00		2.00		41423A NB2	2033	290,000	(c)	3.00		3.05		41423A NJ5
2027	240,000		4.00		2.10		41423A NC0	2034	300,000	(c)	3.00		3.10		41423A NK2
2028	250,000		4.00		2.20		41423A ND8	2035	310,000	(c)	3.00		3.15		41423A NL0
2029	255,000	(c)	4.00		2.30		41423A NE6								

$650,000 Term Bond due March 1, 2037 (c), 41423A NN6 (b), 3.000% Interest Rate, 3.25% Yield (a)
$690,000 Term Bond due March 1, 2039 (c), 41423A NQ9 (b), 3.125% Interest Rate, 3.30% Yield (a)
$3,265,000 Term Bond due March 1, 2047 (c), 41423A NY2 (b), 3.500% Interest Rate, 3.60% Yield (a)

(a) The initial reoffering yield has been provided by the Underwriter (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) The Bonds maturing on March 1, 2029, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on March 1, 2028, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

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 or the Underwriter.

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.
This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in "SOURCES OF INFORMATION—Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

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

TABLE OF CONTENTS

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 432 (the "District") of its $7,925,000 Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to an order (the "Bond Order") adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

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. (referred to herein as the "Underwriter") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 98.5418% of the principal amount thereof, which resulted in a net effective interest rate of 3.507523%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH 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 SEC 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.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Capitalization of AGM

At December 31, 2021:

- The policyholders' surplus of AGM was approximately $3,053 million.
- The contingency reserve of AGM was approximately $877 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,127 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022).

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

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

Miscellaneous Matters

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

MUNICIPAL BOND RATING

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

The Bonds have received an insured rating of “A1” from Moody’s solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody’s has also assigned an underlying credit rating of "Baa2" to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fee associated with the District’s underlying rating that will be charged by Moody’s.

OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein.

THE BONDS

The Issuer	Harris County Municipal Utility District No. 432 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Issue	The District's $7,925,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are dated April 1, 2022. Interest accrues from the Delivery Date, at the rates set forth on the inside cover page hereof, and is payable September 1, 2022, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature serially on March 1 in each of the years 2023 through 2035, both inclusive, and as term bonds on March 1 in each of the years 2037, 2039, and 2047 (the "Term Bonds") and in the principal amounts and pay interest at the rates set forth on the inside cover page hereof. See "THE BONDS."
Redemption	Bonds maturing on and after March 1, 2029, are subject to redemption, in whole or from time to time in part, at the option of the District on March 1, 2028, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), in accordance with the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS—Book-Entry-Only System."
Source of Payment	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas (the "City"); or any entity other than the District. See "THE BONDS—Source of Payment."
Qualified Tax-Exempt Obligations	The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

Payment Record	The District has previously issued ten (10) series of unlimited tax bonds for the purpose of acquiring, constructing, or improving a waterworks, sanitary sewer and drainage system (the "System") to serve the District, one (1) series of unlimited tax bonds for the purposes of purchasing and constructing parks and recreational facilities to serve the District (the "Parks System") and one (1) series of unlimited tax refunding bonds to refund existing outstanding bonds, of which $41,550,000 principal amount remains outstanding (the "Outstanding Bonds") as of the date hereof. The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness. See "THE BONDS—Outstanding Bonds."
Short Term Debt	The District issued its $2,480,000 Bond Anticipation Note, Series 2021 (the "Series 2021 BAN") on October 26, 2021 with a maturity date of October 25, 2022. See "THE BONDS—Short Term Debt."
Future Debt	The District has adopted a resolution authorizing the Board president to proceed with a refunding bond transaction to refinance the District's Unlimited Tax Bonds, Series 2014, subject to the transaction achieving a specified net present value interest savings parameter. The District anticipates proceeding with the sale of such refunding bonds first quarter of 2022, assuming the required interest savings can be achieved under market conditions existing during that time. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."
Use of Proceeds	A portion of the proceeds from the sale of the Bonds will be used to redeem the District's Series 2021 BAN, the proceeds of which were used to reimburse the Developers (hereinafter defined) for a portion of the costs related to the items listed herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." The remaining proceeds from the sale of the Bonds will be used to pay (a) the remaining costs related to the construction and engineering of items paid for with the Series 2021 BAN proceeds, (b) Bond and Series 2021 BAN issuance costs, (c) storm sewer, sanitary sewer and water lines to serve Morton Creek Ranch, Section 23, (d) Morton Creek Ranch Atlas 14 drainage, (e) Morton Creek Ranch detention basin no. 4 (f) permanent wastewater treatment plant, (g) developer interest, and (h) interest on the Series 2021 BAN. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Municipal Bond Rating and Municipal Bond Insurance	S&P Global Ratings (AGM Insured): "AA." Moody's Investors Service, Inc. (AGM Insured): "A1." Moody's Investors Service, Inc. (Underlying): "Baa2." See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING."
Legal Opinion	Young & Brooks, Houston, Texas, Bond Counsel. See "LEGAL MATTERS."
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton, LLP, Houston, Texas.
Paying Agent/Registrar	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

Infectious Disease Outlook (COVID-19).......... In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State 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.

THE DISTRICT

Description.. The District, a political subdivision of the State of Texas, is located wholly within Harris County, Texas approximately 25 miles west of the City of Houston (the "City"), central business district. The District consists of two noncontiguous tracts of land that total approximately 613 acres. The District lies wholly within the extraterritorial jurisdiction of the City and wholly within the boundaries of the Katy Independent School District. See "THE DISTRICT—General" and "—Description."

Authority .... The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT—General."

The Developers .... The largest current developer of land located within the District is Woodmere Development Company Ltd., a Texas Limited Partnership whose general partner is Woodmere GP, LLC ("Woodmere"). BGM Land Investments, Ltd, a Texas Limited Partnership ("BGM") whose general partner is G.P. Landvest, LLC is a company related to Woodmere that purchases and holds the land to be developed by Woodmere. Long Lake, Ltd., a Texas Limited Partnership ("Long Lake"), a company related to Woodmere, oversees the sales and construction of homes within the District. Woodmere, BGM, and Long Lake, as well as the builders, Pride Builders and Postwood Homes, are all under common management and ownership (collectively, the "Related Entities"). The Related Entities have developed 1,280 lots on approximately 278.73 acres within the District and continue to own approximately 115.97 acres of undeveloped but developable land within the District. In addition, there is 146 single-family residential lots on approximately 37.14 acres under construction with an estimated completion by the end of 2022. It is anticipated that such currently undeveloped but developable acreage will be developed in the future for single-family residential use as future Morton Creek Ranch development sections. See "STATUS OF DEVELOPMENT" and "TAX DATA—Principal Taxpayers."

The Related Entities are actively developing and building homes in 35 communities (including the District) and also function as a homebuilder in an additional 7 communities in the general Houston metropolitan area.

Katy 76 Development Partners LP, a Delaware limited partnership ("Katy 76"), whose general partner is Katy 76 GP Inc., an Ontario corporation, owns approximately 73 acres within the District. To date, Katy 76 has developed approximately 57.09 acres (301 lots) as the single-family residential subdivision of Katy Trails.

Woodmere and Katy 76 are collectively referred to herein as the "Developers." See "THE DEVELOPERS."

Status of Development .... Land within the District has been developed as the single-family subdivision of Morton Creek Ranch, Section 1; Section 2, Phases 1 and 2; Section 3, Phases 1 and 2; and Sections 4-15, and 17-23 (aggregating approximately 241.47 acres and 1,280 single-family lots) and Katy Trails, Sections 1, 2 and 3 have been developed as 301 single-family lots on approximately 57.09 acres. Additionally, approximately 14.42 acres have been developed as an elementary school, 6.42 acres of commercial have been developed along Clay Road and approximately 3.85 acres have been developed as a recreational center within the District. As of February 1, 2022, the District consisted of 1,437 completed homes (approximately 1,435 of which are occupied), 41 homes under construction, and 63 vacant developed lots. In addition, there is 146 single-family residential lots on approximately 37.14 acres under construction with an estimated completion by the end of 2022. The remainder of the District consists of approximately 4.04 acres for future commercial development, approximately 115.97 undeveloped but developable acres, and approximately 132.48 undevelopable acres. See "STATUS OF DEVELOPMENT."

Homebuilders Within the District.................... Homebuilding within the District began in 2009. Long Lake is actively building homes in the District under the names of Pride Builders, Lake Ridge Builders, Postwood Homes, Lakewood Homes, and Briarwood Homes. Pride Builders is building homes in the District ranging in price from approximately $289,990 to approximately $350,990 and in square footage from approximately 1,378 to approximately 3,103. Lake Ridge Builders is building homes in the District ranging in price from approximately $297,990 to approximately $363,990 and in square footage from approximately 1,416 to approximately 3,129. Postwood Homes is building homes in the District ranging in price from approximately $339,990 to approximately $432,990 and in square footage from approximately 1,937 to approximately 4,042. Lakewood Homes is building homes in the District ranging in price from approximately $359,990 to approximately $401,990 and in square footage from approximately 2,046 to approximately 2,848. Briarwood Homes is building homes in the District ranging in price from approximately $379,990 to approximately $469,990 and in square footage from approximately 2,076 to approximately 4,035.

Also, according to the Developers, Gehan Homes and GreenEco Builders are currently building homes within the District within the Katy Trails subdivision. The homes being constructed range in price from $210,000 to $350,000 and in square footage from 2,000 to 4,000. See "THE DEVELOPERS" and "STATUS OF DEVELOPMENT—Homebuilders Within the District."

INVESTMENT CONSIDERATIONS

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

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

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2021 Certified Taxable Assessed Valuation	$ 367,272,535	(a)
Estimated Taxable Assessed Valuation as of January 1, 2022	$ 400,693,314	(b)
Direct Debt:		
The Outstanding Bonds (as of February 1, 2022)	$ 41,550,000	(c)
The Bonds	7,925,000	
Total	$ 49,475,000	
Estimated Overlapping Debt	16,702,087	(d)
Total Direct and Estimated Overlapping Debt	$ 66,177,087	
Direct Debt Ratios:		
As a percentage of the 2021 Certified Taxable Assessed Valuation	13.47 %	
As a percentage of the Estimated Taxable Assessed Valuation as of January 1, 2022	12.35 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2021 Certified Taxable Assessed Valuation	18.02 %	
As a percentage of the Estimated Taxable Assessed Valuation as of January 1, 2022	16.52 %	
Debt Service Fund Balance (as of February 15, 2022)	$ 3,362,764	(e)
General Fund Balance (as of February 15, 2022)	$ 3,749,774	
Capital Projects Fund (as of February 15, 2022)	$ 2,680,413	
2021 Tax Rate per $100 of Taxable Assessed Valuation		
Debt Service	$0.79	
Maintenance	0.51	
Total	$1.30	
Average Annual Debt Service Requirement (2022-2047)	$2,625,201	(f)
Maximum Annual Debt Service Requirement (2038)	$3,098,083	(f)
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2022-2047) 95% Tax Collections		
Based on the 2021 Certified Taxable Assessed Valuation	$0.76	(g)
Based on the Estimated Taxable Assessed Valuation as of January 1, 2022	$0.69	(g)
Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2038) at 95% Tax Collections		
Based on the 2021 Certified Taxable Assessed Valuation	$0.89	(g)
Based on the Estimated Taxable Assessed Valuation as of January 1, 2022	$0.82	(g)
Number of Single-Family Homes	1,437	(h)
Estimated 2022 District Population	5,023	(i)

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on January 1, 2022. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
(c) See "THE BONDS—Outstanding Bonds."
(d) See "DISTRICT DEBT—Estimated Overlapping Debt."
(e) Balance reflects payment of all debt service due in 2021. Neither Texas law nor the Bond Order requires that the District maintain any particular balance in the debt service fund.
(f) See "DISTRICT DEBT—Debt Service Requirements."
(g) See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."
(h) Approximately 1,435 homes were occupied as of February 1, 2022.
(i) Based upon 3.5 residents per occupied single-family home.

$7,925,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

UNLIMITED TAX BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 432 (the "District") of its $7,925,000 Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to (i) an order (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, (iii) an election held within the District on September 10, 2005, and (iv) an order issued by the Texas Commission on Environmental Quality ("TCEQ").

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

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

THE BONDS

General

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

The Bonds are dated April 1, 2022, with interest accruing from the initial date of delivery (expected to be April 20, 2022) (the "Delivery Date"), and payable September 1, 2022, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on March 1 in each of the years shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 an S&P rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Security ("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 the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to 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-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but it takes no responsibility for the accuracy thereof.

Successor Paying Agent/Registrar

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. 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 Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar 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 the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, 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 to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption Provisions

Optional Redemption: Bonds maturing on March 1, 2029, and thereafter shall be subject to redemption at the option of the District, in whole or from time to time in part, on March 1, 2028, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date in the manner specified in the Bond Order. If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such method of random selection as the Paying Agent/Registrar deems fair and appropriate (or by the DTC in accordance with its procedures while the Bonds are in book-entry-only form) in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption: The Bonds maturing on March 1 in each of the years 2037, 2039, and 2047 are term bonds (the "Term Bonds"). The Term Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (each a "Mandatory Redemption Date"), and in the principal amount set forth in the following schedules:

$650,000 Term Bonds Due March 1, 2037		$690,000 Term Bonds Due March 1, 2039	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2036	$ 320,000	2038	$ 340,000
2037 (maturity)	330,000	2039 (maturity)	350,000

$3,265,000 Term Bonds Due March 1, 2047	
Mandatory Redemption Date	**Principal Amount**
2040	$ 365,000
2041	375,000
2042	390,000
2043	400,000
2044	415,000
2045	425,000
2046	440,000
2047 (maturity)	455,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (l) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of any redemption will be given by the Registrar at least thirty (30) days prior to the redemption date in the manner specified in the Bond Order.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

Election Date	Purpose	Amount Authorized	Issued to Date		Remaining Unissued
September 10, 2005	Water, Sewer & Drainage, and Refunding	$ 120,000,000	$ 53,020,000	(a)	$ 66,980,000
September 10, 2005	Parks & Recreation, and Refunding	10,000,000	2,045,000		7,955,000
		$ 130,000,000	$ 55,065,000		$ 74,935,000

(a) Includes the Bonds.

The Bonds are issued pursuant to (i) the Bond Order, (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54, Texas Water Code, as amended, and (iii) an election held within the District on September 10, 2005.

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

Outstanding Bonds

The District has previously issued ten (10) series of unlimited tax bonds for the purpose of acquiring, constructing, or improving a waterworks, sanitary sewer and drainage system (the "System") to serve the District, one (1) series of unlimited tax bonds for the purposes of purchasing and constructing parks and recreational facilities to serve the District (the "Parks System") and one (1) series of unlimited tax refunding bonds to refund existing outstanding bonds, of which $41,550,000 principal amount collectively remains outstanding (the "Outstanding Bonds") as of the date hereof.

Series		Original Principal Amount	Outstanding Bonds
2013		$ 3,370,000	$ 105,000
2014		2,100,000	1,770,000
2015		3,075,000	2,620,000
2016		6,115,000	5,260,000
2017		6,350,000	5,495,000
2018		6,785,000	6,305,000
2019		5,395,000	5,270,000
2019	(a)	2,920,000	2,815,000
2020		6,630,000	6,500,000
2021		2,045,000	3,365,000
2021A	(b)	3,365,000	2,045,000
Total		$ 48,150,000	$ 41,550,000

(a) Unlimited tax refunding bonds.
(b) Unlimited tax park bonds.

Short Term Debt

The District issued its $2,480,000 Bond Anticipation Note, Series 2021 (the "Series 2021 BAN") on October 26, 2021 with a maturity date of October 25, 2022. The District will use a portion of the proceeds from the Bonds to redeem the Series 2021 BAN. Proceeds from the SERIES 2021 BAN were used to finance portions of certain construction costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS."

Source of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City of Houston (the "City"). The District may be annexed and dissolved by the City only if (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% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to 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 that specifies the procedures for full purpose annexation of all or a portion of the District. If the District is annexed, the City must assume the assets, functions and obligations of the District, including the Bonds, and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation concerning the likelihood of annexation or the ability of the City 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 the utility system), and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Strategic Partnership Agreement with City of Houston

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which 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, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, 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. The City has negotiated and entered into strategic partnership agreement with several other districts in its extraterritorial jurisdiction. No representation can be made regarding the future likelihood of a strategic partnership agreement or the terms thereof.

Defeasance

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

Issuance of Additional Debt

Following the issuance of the Bonds, the District will have $66,980,000 principal amount remaining in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing water, sanitary sewer and drainage facilities, and to refund bonds issued for such purposes, and $7,955,000 in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing parks and recreational facilities, and to refund bonds issued for such purposes. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. The Developers (as defined herein under "THE DEVELOPERS") have advanced as of February 1, 2022 approximately $3,500,000 in funds or costs that remain to be reimbursed by the District in the future. The issuance of additional bonds is also subject to Texas Commission on Environmental Quality ("TCEQ") authorization.

In addition, the District has adopted a resolution authorizing the Board president to proceed with a refunding bond transaction to refinance the District's Unlimited Tax Bonds, Series 2014, subject to the transaction achieving a specified net present value interest savings parameter. The District anticipates proceeding with the sale of such refunding bonds first quarter of 2022, assuming the required interest savings can be achieved under market conditions existing during that time. See "INVESTMENT CONSIDERATIONS—Future Debt."

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

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

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

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The principal amount of park bonds issued by the District may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. At an election held within the District on September 10, 2005, voters in the District approved $10,000,000 principal amount of park bonds, of which, $7,955,000 principal amount remains authorized and unissued. The issuance of park bonds is subject to approval by the TCEQ.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

No Arbitrage

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

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.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. 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. 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not 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.

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. Sections 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 debt; 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 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 an excerpt 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.

USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds from the sale of the Bonds will be used to redeem the District's Series 2021 BAN, the proceeds of which were used to reimburse the Developers (hereinafter defined) for a portion of the costs related to the items listed below. The remaining proceeds from the sale of the Bonds will be used to pay (a) the remaining costs related to the construction and engineering of items paid for with the Series 2021 BAN proceeds, (b) Bond and Series 2021 BAN issuance costs, (c) storm sewer, sanitary sewer and water lines to serve Morton Creek Ranch, Section 23, (d) Morton Creek Ranch Atlas 14 drainage, (e) Morton Creek Ranch detention basin no. 4 (f) permanent wastewater treatment plant, (g) developer interest, and (h) interest on the Series 2021 BAN.

I. CONSTRUCTION COSTS	
Storm Sewer, Sanitary Sewer & Water Lines to Service Morton Creek Ranch, Section 23	$ 426,574
Morton Creek Ranch, Detention Basin No. 4	1,151,379
Morton Creek Ranch, Atlas 14 Drainage	73,179
Morton Creek Ranch, Detention No. 1 SWPPP & Maintenance	664,927
Permanent 0.75 MGD Wastewater Treatment Plant	3,474,647
Engineering	1,060,140
Storm Water Pollution Prevention	60,583
Total Construction Costs	**$ 6,911,429**
II. NON-CONSTRUCTION COSTS	
Legal Fees	$ 203,125
Fiscal Agent Fees	158,500
Interest Costs:	
a). BAN Interest	12,078
b). Developer Interest	162,221
Bond Discount (a)	115,565
Bond Issuance Expenses	48,212
BAN Issuance Expenses	68,100
TCEQ Bond Issuance Fee	19,813
Attorney General Fee	7,925
Bond Application Report	67,625
Contingency (a)	150,407
Total Non-Construction Costs	**$ 1,013,571**
TOTAL BOND ISSUE	**$ 7,925,000**

(a) Contingency represents the difference in the estimated and actual amount Bond discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the TCEQ on June 22, 2005. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may purchase and operate park and recreational facilities within the District. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is entirely within the extraterritorial jurisdiction of the City. The District also lies entirely within the boundaries of the Katy Independent School District.

Description

The District is located wholly within Harris County, Texas approximately 25 miles west of Houston's central business district. The District consists of approximately 613 acres comprised of two noncontiguous tracts of land. The northern tract is bounded on the east, west, and south by undeveloped acreage and on the north by Clay Road. The southern tract is bounded by undeveloped acreage on the north and east, Mason Creek on the south, Porter Road on the west and is bisected by Morton Road.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. One director position is currently vacant. Directors are elected in even-numbered years for four-staggered terms. The present members and officers of the Board and their positions are listed below:

Name	Position	Term Expires
Ken A Suminski	President	May 2024
Vacant	Vice President	May 2022
Dianne D. Migl	Secretary	May 2024
Janet LaCorte	Assistant Secretary	May 2024
Jeffrey W. Zarse	Director	May 2022

Consultants

The District does not have a general manager or any full-time employees, but contracts for certain necessary services as described below.

Tax Assessor/Collector: The District's Tax Assessor/Collector is Bob Leared Interests, Inc. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Bookkeeper: The District's contracts with McLennan and Associates, for bookkeeping services.

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

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. A copy of the District's financial statements audited by Mark C. Eyring, CPA, PLLC, for the fiscal year ended May 31, 2021, is included as "APPENDIX A" to this Official Statement.

Legal Counsel: Young & Brooks ("Bond Counsel") serves as bond counsel to the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Young & Brooks also acts as general counsel for the District.

Financial Advisor: Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

THE DEVELOPERS

The Role of a Developer

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

Description of the Developers

The largest current developer of land located within the District is Woodmere Development Company Ltd., a Texas Limited Partnership whose general partner is Woodmere GP, LLC ("Woodmere"). BGM Land Investments, Ltd, a Texas Limited Partnership ("BGM") whose general partner is G.P. Landvest, LLC is a company related to Woodmere that purchases and holds the land to be developed by Woodmere. Long Lake, Ltd., a Texas Limited Partnership ("Long Lake"), a company related to Woodmere, oversees the sales and construction of homes within the District. Woodmere, BGM, and Long Lake, as well as the builders, Pride Builders and Postwood Homes, are all under common management and ownership (the "Related Entities"). The Related Entities have developed 1,280 lots on approximately 278.73 acres within the District and continue to own approximately 115.97 acres of undeveloped but developable land within the District. In addition, there is 146 single-family residential lots on approximately 37.14 acres under construction with an estimated completion by the end of 2022. It is anticipated that such currently undeveloped but developable acreage will be developed in the future for single-family residential use as future Morton Creek Ranch development sections. See "STATUS OF DEVELOPMENT" and "TAX DATA—Principal Taxpayers."

The Related Entities are actively developing and building homes in 35 communities (including the District) and also function as a homebuilder in an additional 7 communities in the general Houston metropolitan area.

Katy 76 Development Partners LP, a Delaware limited partnership ("Katy 76"), whose general partner is Katy 76 GP Inc., an Ontario corporation, purchased approximately 73 acres from F&M Real Estate Partners, Ltd., to be developed as Katy Trails. To date, approximately 57.09 acres have been developed as 301 single-family residential lots.

Woodmere and Katy 76 are collectively referred to herein as the "Developers."

STATUS OF DEVELOPMENT

Status of Development within the District

Land within the District has been developed as the single-family subdivision of Morton Creek Ranch, Section 1; Section 2, Phases 1 and 2; Section 3, Phases 1 and 2; and Sections 4-15, and 17-23 (aggregating approximately 241.47 acres and 1,280 single-family lots) and Katy Trails, Sections 1, 2 and 3 have been developed as 301 single-family lots on approximately 57.09 acres. Additionally, approximately 14.42 acres have been developed as an elementary school, 6.42 acres of commercial have been developed along Clay Road and approximately 3.85 acres have been developed as a recreational center within the District. As of February 1, 2022, the District consisted of 1,437 completed homes (approximately 1,435 of which are occupied), 41 homes under construction, and 63 vacant developed lots. In addition, there is 146 single-family residential lots on approximately 37.14 acres under construction with an estimated completion by the end of 2022. The remainder of the District consists of approximately 4.04 acres for future commercial development, approximately 115.97 undeveloped but developable acres, and approximately 132.48 undevelopable acres.

The following is the status of construction of single-family detached housing within the District, as of February 1, 2022.

Section	Acreage	Lots	Complete	Construction	Lots
Morton Creek Ranch					
Section 1	16.21	93	87	0	6
Section 2 - Phase I	10.34	48	48	0	0
Section 3 - Phase I	8.01	44	44	0	0
Section 2 - Phase II	9.96	50	50	0	0
Section 3 - Phase II	8.58	54	54	0	0
Section 4	7.65	51	51	0	0
Section 5	12.45	57	57	0	0
Section 6	9.93	63	63	0	0
Section 7	11.44	55	55	0	0
Section 8	14.53	98	98	0	0
Section 9	13.93	74	74	0	0
Section 10	7.44	53	50	3	0
Section 11	11.52	58	58	0	0
Section 12	6.85	49	49	0	0
Section 13	10.86	59	55	0	0
Section 14	8.98	50	5	3	0
Section 15	9.86	58	42	16	0
Section 17	3.55	11	1	0	10
Section 18	13.00	52	52	0	0
Section 19	12.26	50	48	0	2
Section 20	7.66	30	30	0	0
Section 21	9.29	42	42	0	0
Section 22	7.50	35	16	1	24
Section 23	9.68	46	7	18	21
Subtotal	241.47	1,280	1,136	41	63

Katy Trails					
Section 1	36.10	142	142	0	0
Section 2	12.56	83	83	0	0
Section 3	8.43	76	76	0	0
Subtotal	57.09	301	301	0	0
Total	298.56	1,581	1,437	41	63

Homebuilders within the District

Homebuilding within the District began in 2009. Long Lake is actively building homes in the District under the names of Pride Builders, Lake Ridge Builders, Postwood Homes, Lakewood Homes, and Briarwood Homes. Pride Builders is building homes in the District ranging in price from approximately $289,990 to approximately $350,990 and in square footage from approximately 1,378 to approximately 3,103. Lake Ridge Builders is building homes in the District ranging in price from approximately $297,990 to approximately $363,990 and in square footage from approximately 1,416 to approximately 3,129. Postwood Homes is building homes in the District ranging in price from approximately $339,990 to approximately $432,990 and in square footage from approximately 1,937 to approximately 4,042. Lakewood Homes is building homes in the District ranging in price from approximately $359,990 to approximately $401,990 and in square footage from approximately 2,046 to approximately 2,848. Briarwood Homes is building homes in the District ranging in price from approximately $379,990 to approximately $469,990 and in square footage from approximately 2,076 to approximately 4,035.

Additionally, according to the Developers, Gehan Homes and GreenEco Builders are currently building homes within the District within the Katy Trails subdivision. The homes being constructed range in price from $210,000 to $350,000 and in square footage from 2,000 to 4,000.

Lot Sales Contracts

Woodmere has entered into lot sales contracts with Pride Builders, Lake Ridge Builders, Postwood Homes, Lakewood Homes, and Briarwood Homes. Pride Builders and Lake Ridge Builders have contracted to purchase all of the lots in Morton Creek Ranch, Sections 1, 3, 4, 6, 8, 10, 12, 13, 14 and 15. According to Woodmere, as of January 1, 2022, Pride Builders and Lake Ridge Builders are in compliance with their lot sales contracts. Postwood Homes and Briarwood Homes have contracted to purchase all of the lots in Morton Creek Ranch, Section 17,18, 20, 21 and 23. According to Woodmere, as of January 1, 2022, Postwood Homes and Briarwood Homes are in compliance with their lot sales contracts. Postwood Homes, Briarwood Homes and Lakewood Homes have contracted to purchase all of the lots within Morton Creek Ranch, Section 19. According to Woodmere, as of January 1, 2022, Postwood Homes, Briarwood Homes, and Lakewood Homes are in compliance with its lot sales contracts. Lakewood Homes has contracted to purchase 30 lots within Morton Creek Ranch, Section 22. According to Woodmere, as of January 1, 2022, Lakewood Homes is in compliance with its lot sales contract. Katy 76 entered into lot sales contracts with Gehan Homes and GreenEco Builders. Gehan Homes contracted to purchase 74 lots in Katy Trails, Section 1, and 76 lots in Katy Trails, Section 3. GreenEco Builders contracted to purchase 68 lots in Katy Trails, Section 1, and 83 lots in in Katy Trails, Section 2. As of November 1, 2019, Gehan Homes and GreenEco Builders had purchased all of the lots for which they contracted. The remaining 115.97 developable acreage within the District is currently planned for future development as additional residential home sites and commercial development.

DISTRICT DEBT

General

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

2021 Certified Taxable Assessed Valuation	$ 367,272,535	(a)
Estimated Taxable Assessed Valuation as of January 1, 2022	$ 400,693,314	(b)
Direct Debt:		
The Outstanding Bonds (as of February 1, 2022)	$ 41,550,000	(c)
The Bonds	7,925,000	
Total	$ 49,475,000	
Estimated Overlapping Debt	16,702,087	(d)
Total Direct and Estimated Overlapping Debt	$ 66,177,087	
Direct Debt Ratios:		
As a percentage of the 2021 Certified Taxable Assessed Valuation	13.47%	
As a percentage of the Estimated Taxable Assessed Valuation as of January 1, 2022	12.35%	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2021 Certified Taxable Assessed Valuation	18.02%	
As a percentage of the Estimated Taxable Assessed Valuation as of January 1, 2022	16.52%	
Debt Service Fund Balance (as of February 15, 2022)	$ 3,362,764	(e)
General Fund Balance (as of February 15, 2022)	$ 3,749,774	
Capital Projects Fund (as of February 15, 2022)	$ 2,680,413	
2021 Tax Rate per $100 of Taxable Assessed Valuation		
Debt Service	$0.79	
Maintenance	0.51	
Total	$1.30	

(a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on January 1, 2022. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
(c) See "THE BONDS—Outstanding Bonds."
(d) See "—Estimated Overlapping Debt" herein
(e) Balance reflects payment of all debt service due in 2021. Neither Texas law nor the Bond Order requires that the District maintain any particular balance in the debt service fund.

Estimated Overlapping Debt

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

			Debt as of	Overlapping	
Taxing Jurisdiction	**Tax Year**	**AV**	**12/31/2021**	**Percent**	**Amount**
Harris County	2021	$ 520,844,496,735	$ 1,682,992,125	0.07%	$ 1,185,354
Harris County Department of Education	2021	520,979,955,913	20,185,000	0.07%	14,213
Harris County Flood Control District	2021	512,016,859,404	58,490,000	0.07%	41,906
Harris County Hospital District	2021	512,120,554,610	81,540,000	0.07%	58,408
Katy Independent School District	2021	48,084,791,240	1,974,820,230	0.76%	15,065,858
Port of Houston Authority	2021	511,987,515,441	469,434,397	0.07%	336,349
Total Estimated Overlapping Debt					$ 16,702,087
The District Direct Debt					$ 49,475,000
Total Direct Debt and Estimated Overlapping Debt					$ 66,177,087

Debt Ratios

Direct Debt Ratios (a):

As a percentage of the 2021 Certified Taxable Assessed Valuation 13.47%
As a percentage of the Estimated Taxable Assessed Valuation as of January 1, 2022.... 12.35%

Direct and Estimated Overlapping Debt Ratios (a):

As a percentage of the 2021 Certified Taxable Assessed Valuation 18.02%
As a percentage of the Estimated Taxable Assessed Valuation as of January 1, 2022.... 16.52%

(a) Includes the Bonds.

Debt Service Requirements

The following schedule sets forth annual debt service requirements on the Outstanding Bonds, plus the debt service requirements on the Bonds.

		Plus: The Bonds		
Year	Outstanding Debt Service	Principal	Interest	Total Debt Service
2022	$ 2,549,035	$ -	$ 99,119	$ 2,648,154
2023	2,543,039	175,000	269,763	2,987,802
2024	2,550,299	220,000	263,838	3,034,136
2025	2,545,280	225,000	256,038	3,026,318
2026	2,542,804	235,000	246,838	3,024,641
2027	2,550,846	240,000	237,338	3,028,184
2028	2,559,141	250,000	227,538	3,036,678
2029	2,564,763	255,000	217,438	3,037,201
2030	2,567,810	265,000	207,038	3,039,848
2031	2,578,526	275,000	196,238	3,049,763
2032	2,587,078	280,000	186,538	3,053,615
2033	2,588,104	290,000	177,988	3,056,091
2034	2,601,528	300,000	169,138	3,070,666
2035	2,602,613	310,000	159,988	3,072,600
2036	2,616,243	320,000	150,538	3,086,780
2037	2,626,182	330,000	140,788	3,096,969
2038	2,627,558	340,000	130,525	3,098,083
2039	2,513,288	350,000	119,744	2,983,031
2040	2,386,254	365,000	107,888	2,859,141
2041	2,203,569	375,000	94,938	2,673,506
2042	1,862,566	390,000	81,550	2,334,116
2043	1,496,059	400,000	67,725	1,963,784
2044	1,091,928	415,000	53,463	1,560,391
2045	735,009	425,000	38,763	1,198,772
2046	308,359	440,000	23,625	771,984
2047	-	455,000	7,963	462,963
	$ 56,397,879	$ 7,925,000	$ 3,932,338	$ 68,255,216

Average Annual Debt Service Requirement (2022-2047) $2,625,201
Maximum Annual Debt Service Requirement (2038) $3,098,083

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and 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. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed $1.50 per $100 of assessed valuation without additional voter approval, for operation and maintenance purposes. The Board levied a total 2021 tax rate of $1.30 per $100 of assessed valuation comprised of: $0.79 per $100 of assessed valuation for operation and maintenance purposes and $0.51 per $100 of assessed valuation for debt service purposes.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.50 per $100 of assessed valuation.

Historical Tax Collections

Year	Assessed Valuation	Tax Rate per $100 (a)	Tax Levy	% of Current Collections	Tax Year Ending 9/30	Collections as 1/31/2022
2017	$ 183,264,130	$ 1.380000	$ 2,529,045	99.98%	2018	99.98%
2018	224,614,890	1.340000	3,009,840	99.89%	2019	99.89%
2019	276,789,861	1.320000	3,653,626	99.84%	2020	99.84%
2020	318,880,770	1.300000	4,145,450	99.78%	2021	99.78%
2021	367,272,535	1.300000	4,774,543	97.44%	2022	97.44%

(a) Total tax rate per $100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

Tax Rate Distribution

The following sets out the components of the District's tax rate for each of tax years 2017–2021.

	2021	2020	2019	2018	2017
Debt Service	$ 0.79	$ 0.80	$ 0.69	$ 0.92	$ 0.77
M&O	0.51	0.50	0.63	0.42	0.61
Total	$ 1.30	$ 1.30	$ 1.32	$ 1.34	$ 1.38

Analysis of Tax Base

The following represents the composition of property breakdowns for the 2017 through 2021 Certified Taxable Assessed Valuations as certified by the Appraisal District. A breakdown of the Estimated Taxable Assessed Valuation as of January 1, 2022 is not available.

Type of Property	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation
Land	$ 74,997,454	$ 70,179,431	$ 57,488,747	$ 52,461,120	$ 42,415,603
Improvements	319,397,108	274,804,771	223,156,255	174,811,903	143,809,991
Personal Property	2,119,409	2,375,323	1,997,488	1,440,144	1,186,077
Exemptions	(29,241,436)	(28,478,755)	(5,852,629)	(4,098,277)	(4,147,541)
Total	$ 367,272,535	$ 318,880,770	$ 276,789,861	$ 224,614,890	$ 183,264,130

Exemptions

For the 2021 tax year, the District has not granted any optional exemptions. According to the Appraisal District, no land within the District was qualified on the basis of agricultural use for the 2021 tax year.

Principal Taxpayers

The following are the ten principal taxpayers in the District, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the 2021 Certified Taxable Assessed Valuation of $367,272,535. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of January 1, 2022, of $400,693,314 is not available.

Taxpayer	Property Type	2021 Tax Year	% of Tax Roll
BGM Land Investments Ltd. (a)	Land & Improvements	$ 9,194,979	2.50%
Crossing at Katy Trails	Land & Improvements	3,320,000	0.90%
Long Lake Ltd. (a) (b)	Land, Improvements & Personal Property	3,008,919	0.82%
Peek Crossing LP	Land & Improvements	1,891,683	0.52%
SDP Auto Care	Land & Improvements	1,808,185	0.49%
Woodmere Development Co. (a)	Land	1,702,429	0.46%
Centerpoint Energy	Personal Property	1,116,410	0.30%
Javeri Investments LLC	Land & Improvements	911,188	0.25%
Katy Homes LLC	Land & Improvements	879,608	0.24%
Individual	Land & Improvements	839,440	0.23%
Total		$ 24,672,841	6.72%

(a) Related Entities; See "THE DEVELOPERS."
(b) See "STATUS OF DEVELOPMENT—Homebuilders within the District."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation which would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2021 Certified Taxable Assessed Valuation of $367,272,535 and the Estimated Taxable Assessed Valuation as of January 1, 2022 of $400,693,314. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DISTRICT DEBT – Debt Service Requirements."

Average Annual Debt Service Requirement (2022-2047)	$2,625,201
$0.76 Tax Rate on the 2021 Certified Taxable Assessed Valuation	$2,651,708
$0.69 Tax Rate on the Estimated Taxable Assessed Valuation as of January 1, 2022	$2,626,545
Maximum Annual Debt Service Requirement (2038)	$3,098,083
$0.89 Tax Rate on the 2021 Certified Taxable Assessed Valuation	$3,105,289
$0.82 Tax Rate on the Estimated Taxable Assessed Valuation as of January 1, 2022	$3,121,401

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of January 1, 2022 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAXING PROCEDURES."

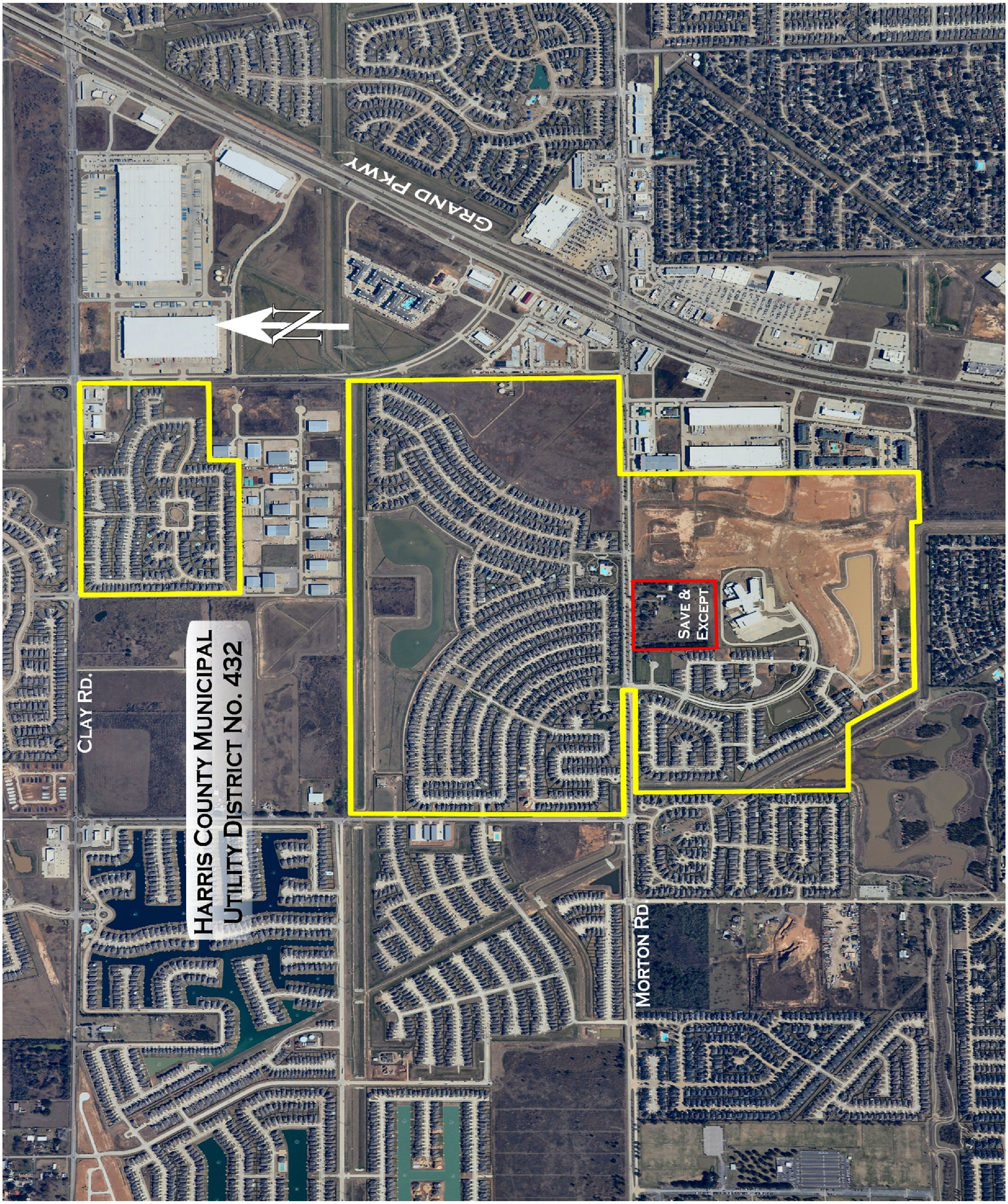
Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT—Estimated 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.

Set forth below is a compilation of all 2021 taxes levied by such jurisdictions per $100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction		2021 Tax Rate
The District	$	1.300000
Katy Independent School District		1.351700
Harris County		0.376930
Harris County Flood Control District		0.033490
Port of Houston Authority		0.008720
Harris County Hospital District		0.162210
Harris County Department of Education		0.004990
Estimated Total Tax Rate	$	3.238040

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken February 2022)



PHOTOGRAPHS OF THE DISTRICT
(taken February 2022)




PHOTOGRAPHS OF THE DISTRICT
(taken February 2022)

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas 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 herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Harris County Appraisal District (the "Appraisal District") has the responsibility 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, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State 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 before July 1. For tax year 2021 and prior years, the District has not adopted a homestead exemption. See "TAX DATA - Exemptions."

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

Tax Abatement

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Harris County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

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

The Property Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District at least once every three 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 District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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.

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 timely petition for review in district court. 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 Code.

The Property Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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.

Low Tax Rate Districts: Low Tax Rate Districts that adopt a total tax rate that would impose more than1.08 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis. For the 2021 tax year, the District was qualified as a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. 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 the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person (1) has been granted an exemption under Section 11.13; Tax Code; (2) requests an installment agreement; and (3) has not entered into an agreement with the collector in the preceding 24 months. The installment payment agreement must provide for payment to be made in monthly installments and must extend for a period of at least 12 months and not more than 36 months. See "INVESTMENT CONSIDERATIONS – General" and "– Tax Collections and Foreclosure Remedies."

THE SYSTEM

Regulation

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

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

Description of the System

Water Supply Facilities: The District owns and operates a 1,200 gallons per minute ("gpm") water well ("Water Well No. 1"). Water Well No. 1 is included in an aggregate permit issued to the West Harris County Regional Water Authority, with a total permitted annual withdrawal of 17.3 billion gallons. The District has completed two expansions of the water supply system that consists of : 35,000 gallons of pressure tanks, 436,900 gallons of ground storage tank capacity, and (5) 1,000 gpm booster pumps. The total capacity of the District's existing water supply system is 2,000 ESFCs.

The District has an emergency water interconnect agreement with the Harris County Municipal Utility District No. 65 ("HCMUD 65"). The interconnect is for emergency use only and is normally closed.

Wastewater Treatment Facilities: Wastewater treatment was initially provided by an interim 150,000 gallon per day package plant wastewater treatment plant ("WWTP"). The District has since completed two expansions of the WWTP that expanded capacity to 500,000 gallons per day. The WWTP is currently capable of serving 2,000 ESFCs. The District currently leases the WWTP from the AUC Group with an option to purchase.

Drainage Facilities: The District's northern 86 acre tract drains south towards Harris County Flood Control District (HCFCD) Unit No. U101-08-00. The 321 acre tract north of Morton Ranch Road drains north to HCFCD Unit No. U101-08-00. The 141 acre tract south of Morton Ranch Road drains south to Mason Creek.

The System improvements consist of storm sewer systems, drainage channels and detention basins to serve the District's storm water runoff.

Subsidence District

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority ("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 to obtain treated surface water from the City. 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's groundwater well(s) are included within the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The provisions of the Authority's Rate Order allow the District, subject to groundwater reduction requirements imposed by the Authority, the terms of the GRP, and any limitations imposed by the Subsidence District, the right to pump from its groundwater well(s) the amount of groundwater reasonably determined by the District to be needed by the District, for itself or for its customers, to provide water in accordance with at least the minimum regulatory requirements for pressure and supply, including during an emergency requiring immediate use of groundwater (such as for firefighting purposes) so long as the District is not committing waste or being wasteful.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, substantial fees per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2030 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP beginning in the year 2010; (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP beginning in the year 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand of the water users within the Authority's GRP beginning in the year 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a substantial disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. The current rate for Disincentive Fees imposed by the Subsidence District is $9.80 per 1,000 gallons. 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 impose 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.

Operating History

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer systems are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements, for the fiscal years ending May 31, 2017 through 2021. Information for the period ending January 31, 2022, was provided by the District's bookkeeper. Reference is made to such statement for further and more complete information. See "APPENDIX A."

	6/1/2021 to 1/31/2022	Fiscal Year Ended May 31,						
Revenues	(unaudited) (a)	2021		2020		2019		2018
Property Taxes	$ 1,554,774	$ 1,600,838		$ 1,730,878		$ 946,037		$ 1,186,698
Water Service	258,826	361,886		311,347		261,147		227,056
Sewer Fees	440,627	620,598		561,471		489,987		428,597
Surface Water Fees	346,990	486,535		368,183		263,897		221,208
Penalty and Interest	16,389	23,242		21,924		18,945		16,310
Tap Connection and Sewer Inspection Fees	60,965	170,515		120,600		170,040		121,240
Interest on Deposits	482	2,370		31,083		50,304		21,851
Other	16,262	19,654		16,995		18,260		-
Total	$2,695,315	$3,285,638		$3,162,481		$2,218,617		$2,222,960
Expenditures								
Professional Fees	$ 152,704	$ 215,943		$ 207,717		$ 190,266		$ 225,666
Contracted Services	90,763	122,002		105,803		99,119		85,655
Utilities	113,710	291,170		93,042		87,779		85,176
Surface Water Pumpage Fees	330,731	487,481		391,256		280,011		234,655
Lease of Sewage Plant	53,200	82,800		88,800		78,450		75,000
Repairs and Maintenance	304,091	423,725		542,452		367,079		370,911
Other Operating Expenditures	177,151	221,210		189,119		117,245		119,585
Security Service	43,382	73,006		70,069		69,165		67,769
Garbage Disposal	209,251	275,688		246,940		225,709		190,474
Administrative Expenditures	82,226	91,538		88,274		102,488		88,444
Capital Outlay	27,862	619,435	(b)	227,398	(b)	393,156	(b)	104,853
Principal Retirement	-	-		1,136,782		-		-
Interest and Fees	-	-		9,183		-		-
Total	$1,585,071	$2,903,998		$3,396,835		$2,010,467		$1,648,188
NET REVENUES (Deficit)	$1,110,244	$381,640		($234,354)		$208,150		$574,772
Other financing sources (uses)	$ -	$ -		$22,875		$38,125		$53,375
Beginning fund balance	2,564,862	2,183,222		2,394,701		2,148,426		1,520,279
Ending fund balance	$3,675,106	$2,564,862		$2,183,222		$2,394,701		$2,148,426

(a) Unaudited, provided by the District's bookkeeper.
(b) Expenditures related to water plant expansion, water plant generator and wastewater treatment plant expansion, phase 3.

THE PARK SYSTEM

Park and recreational improvements that have been constructed on approximately 95 acres in the District and include neighborhood parks, amenity ponds, pedestrian bridges, sidewalks, playgrounds with benches, lighting and landscaping throughout the District.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. A further decline in the price of oil could adversely affect the demand for homes in the District as well as the value of existing homes. The District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 25 miles west from the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes have been significantly developed and levy lower tax rates. As a result, particularly during times of increased competition, the Developers and homebuilders within the District may be at a competitive disadvantage to the developers and homebuilders in other single-family projects located closer to major urban centers or more mature developments. See "THE DISTRICT" and "STATUS OF DEVELOPMENT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family homes sales from other developments, there are numerous previously-owned single-family homes in more established neighborhoods closer to the City that are for sale. Such existing developments could represent additional competition for new development and homebuilding proposed to be constructed within the District.

The competitive position of the Developers in the sale of land and the sale of residences is affected by most of factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Maximum Impact to District Tax Rate: Assuming no further development within the District, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2021 Certified Assessed Valuation of property within the District is $367,272,535 and the Estimated Valuation as of January 1, 2022 is $400,693,314. After issuance of the Bonds, the maximum annual debt service requirement will be $3,098,083 (2038) and the average annual debt service requirement will be $2,625,201 (2022-2047, both inclusive). Assuming no increase or decrease from the 2021 Certified Assessed Valuation, a tax rate of $0.89 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $3,098,083 and a tax rate of $0.76 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of $2,625,201. Assuming no increase or decrease from the Estimated Valuation as of January 1, 2022, a tax rate of $0.82 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $3,098,083 and a tax rate of $0.69 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of $2,625,201 (see "DISTRICT DEBT—Debt Service Requirements").

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

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

Developers Under No Obligation to the District: The Developers have informed the District of their current plans to continue to develop land in the District for residential purposes and commercial purposes. The Developers have not advised the District of any current plans to sell its land within the District to other developers. However, the Developers are not obligated to implement such plan on any particular schedule or continue to implement such plan at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers' right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see "TAX DATA—Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPERS" and "STATUS OF DEVELOPMENT."

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure.

The District's right to seek judicial foreclosure on a tax lien may prove to be costly and time consuming, and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. 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 (hereinafter defined) have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the 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 limited further 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, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

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. Moreover, 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."

Future Debt

Following the issuance of the Bonds, the District will have $66,980,000 principal amount remaining in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing water, sanitary sewer and drainage facilities, and to refund bonds issued for such purposes, and $7,955,000 in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing parks and recreational facilities, and to refund bonds issued for such purposes. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds. The Developers (as defined herein under "THE DEVELOPERS") have advanced as of February 1, 2022 approximately $3,500,000 in funds or costs that remain to be reimbursed by the District in the future. The issuance of additional bonds is also subject to TCEQ authorization.

In addition, the District has adopted a resolution authorizing the Board president to proceed with a refunding bond transaction to refinance the District's Unlimited Tax Bonds, Series 2014, subject to the transaction achieving a specified net present value interest savings parameter. The District anticipates proceeding with the sale of such refunding bonds first quarter of 2022, assuming the required interest savings can be achieved under market conditions existing during that time.

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the district may be on parity with the Bonds.

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; and
- 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 is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied to the TCEQ for a waiver of compliance with the MS4 Permit because the District has less than 1,000 residents. If and when the District has more than 1,000 residents the District intends prepare its Notice of Intent and Stormwater Management Plan to apply for coverage under the MS4 Permit. In order to maintain compliance with the MS4 Permit, the District intends to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

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

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

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States." Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Infectious Disease Outlook (COVID-19)

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

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 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.

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 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. According to the Operator and the Engineer, the District's water, wastewater and drainage system did not sustain any material damage and there was no interruption of water and sewer service during Hurricane Harvey. Further, according to the Operator and the Engineer, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Proposed Legislation

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

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

Reappraisal of Property After Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. The District has not adopted an Order regarding reappraisal of property.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed 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.

Potential Effects of Oil Price Fluctuations on the Houston Area

The 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.

Bond Insurance Risk Factors

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

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

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

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

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

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

Approval of the Bonds

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

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 opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Young & Brooks, Houston, Texas, Bond Counsel ("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 opinion 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. See "THE BONDS - Source of Payment." Bond Counsel's opinion will also address the matters described below under "TAX MATTERS."

In its capacity as Bond Counsel, Young & Brooks has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for the subsection "Book-Entry-Only System"), "TAXING PROCEDURES," "THE DISTRICT—Management of the District—Legal Counsel", "LEGAL MATTERS—Legal Opinions", "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings") to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has on ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the Registered Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the Registered Owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

No-Litigation Certificate

The District will furnish 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 is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (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) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income 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 Issuer 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 judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The 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 such 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 District with respect to the Bonds or the Project. No assurances can be given as to whether 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 Internal Revenue Service 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 one or more maturities of the Bonds (the "Original Issue Discount Bonds") is less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for accrual period and ratably within each such accrual 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.

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

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

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

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

State, Local and Foreign Taxes

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

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 in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than $10,000,000 of tax- exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

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

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 certain information to the Municipal Securities Rulemaking Board ("MSRB") through its 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" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA" to the extent available, and "APPENDIX A" (Audited Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2022.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements if and when the audit report becomes available.

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

Event Notices

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

Availability of Information from EMMA

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12 except that the District failed to timely file notice of issuance of the District's Bond Anticipation Note, Series 2019, Bond Anticipation Note, Series 2020, Park Bond Anticipation Note, Series 2020, and Bond Anticipation Note, Series 2021. In each case, notice of late filing was made.

SOURCES OF INFORMATION

General

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

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT—Description" and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 432 as of the date shown on the first page hereof.

/s/ Ken A Suminski
Ken A. Suminski
President, Board of Directors
Harris County Municipal Utility District No. 432

ATTEST:
/s/ Dianne D. Migl
Dianne D. Migl
Secretary, Board of Directors
Harris County Municipal Utility District No. 432

APPENDIX A
Financial Statements of the District

HARRIS COUNTY

MUNICIPAL UTILITY DISTRICT NO. 432

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

MAY 31, 2021

C O N T E N T S

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

September 21, 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris Municipal
Utility District No. 432
Harris, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Harris Municipal Utility District No. 432, as of and for the year ended May 31, 2021, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 assessment of the risk 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 I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Harris Municipal Utility District No. 432 as of May 31, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 23 to 49 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 432 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2021.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. 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. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage 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 and liabilities owned by 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 total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' 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. 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 period.

Although the statement of activities looks different from a commercial enterprise's income statement, 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 fund financial statements consist of a balance sheet and statement of revenues, expenditures and change 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 and sewer 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 total assets and total liabilities 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 are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the 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.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	2021	2020	Change
Current and other assets	$ 7,141,964	$ 5,958,350	$ 1,183,614
Capital assets	31,826,088	30,679,854	1,146,234
Total assets	38,968,052	36,638,204	2,329,848
Long-term liabilities	44,364,244	35,576,878	8,787,366
Other liabilities	2,036,511	5,548,145	(3,511,634)
Total liabilities	46,400,755	41,125,023	5,275,732
Net position:			
Invested in capital assets, net of related debt	(13,809,323)	(9,639,617)	(4,169,706)
Restricted	3,786,841	3,131,513	655,328
Unrestricted	2,589,779	2,021,285	568,494
Total net position	$ (7,432,703)	$ (4,486,819)	$ (2,945,884)

Summary of Changes in Net Position

	2021	2020	Change
Revenues:			
Property taxes, including related penalty and interest	$ 4,182,252	$ 3,664,896	$ 517,356
Charges for services	1,682,430	1,400,520	281,910
Other revenues	5,712	80,514	(74,802)
Total revenues	5,870,394	5,145,930	724,464
Expenses:			
Service operations	6,530,366	4,513,705	2,016,661
Debt service	2,285,912	1,687,946	597,966
Total expenses	8,816,278	6,201,651	2,614,627
Change in net assets	(2,945,884)	(1,055,721)	(1,890,163)
Net position, beginning of year	(4,486,819)	(3,431,098)	(1,055,721)
Net position, end of year	$ (7,432,703)	$ (4,486,819)	$ (2,945,884)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended May 31, 2021 were $6,601,364, an increase of $1,080,740 from the prior year.

The General Fund balance increased by $381,640, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $257,344, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by $441,756, as proceeds from the Series 2020 Utility and Park Bond Anticipation Notes, the Series 2020 bonds, the Series 2021 bonds and the Series 2021A Park bonds and interest earnings on deposits and investments exceeded authorized expenditures and the repayment of the Series 2019 and 2020 Bond Anticipation Notes.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of May 31, 2021, was expected to be $3,338,190 and the actual end of year fund balance was $2,564,862.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2021	2020	Change
Land	$ 1,968,762	$ 1,645,326	$ 323,436
Detention ponds	5,749,513	4,812,843	936,670
Construction in progress	4,828,032	10,230,693	(5,402,661)
Parks and recreational	1,417,425	0	1,417,425
Water facilities	6,376,208	5,263,612	1,112,596
Sewer facilities	11,486,148	8,727,380	2,758,768
Totals	$ 31,826,088	$ 30,679,854	$ 1,146,234

Changes to capital assets during the fiscal year ended May 31, 2021, are summarized as follows:

Additions:	
Water system improvements	$ 492,062
Wastewater system improvements	18,125
Underground facilities constructed by developers	4,376,652
Total additions to capital assets	4,886,839
Decreases:	
Transfer of subdivision drainage system to Harris County	(3,135,288)
Depreciation	(605,317)
Net change to capital assets	$ 1,146,234

Debt

On November 26, 2019, the District issued its Series 2019 Bond Anticipation Note in the amount of $3,960,000. The Series 2019 Bond Anticipation Note was repaid from the proceeds of the District's $6,630,000 Series 2020 Unlimited Tax Bonds issued July 15, 2020.

On November 4, 2020, the District issued its Series 2020 Bond Anticipation Note in the amount of $2,030,000. The Series 2020 Bond Anticipation Note was repaid from the proceeds of the District's $3,365,000 Series 2021 Unlimited Tax Bonds issued May 19, 2021.

On November 24, 2020, the District issued its Series 2020 Park Bond Anticipation Note in the amount of $1,050,000. The Series 2020 Park Bond Anticipation Note was repaid from the proceeds of the District's $2,045,000 Series 2021A Unlimited Tax Park Bonds issued May 19, 2021.

Changes in the bonded debt position of the District during the fiscal year ended May 31, 2021, are summarized as follows:

Bonded debt payable, beginning of year	$ 30,670,000
Series 2020 utility bonds sold	6,630,000
Series 2021 utility bonds sold	3,365,000
Series 2021A park bonds sold	2,045,000
Bonds paid	(1,160,000)
Bonded debt payable, end of year	$ 41,550,000

At May 31, 2021, the District had $75,015,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District. In addition, the District had $7,955,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the parks and recreation facilities within the District.

The District's Series 2016, 2017, 2018, 2019, 2019 Refunding, 2020, 2021 and 2021A bonds have an underlying rating of Baa2 by Moody's. The Series 2016 and 2018 bonds are insured by Build America Mutual Assurance Company. The Series 2017, 2019, 2019 Refunding, 2020, 2021 and 2021A bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the Series 2016, 2017, 2018, 2019, 2019 Refunding, 2020, 2021 and 2021A bonds is AA by Standard & Poor's. The Series 2017, 2019, 2019 Refunding, 2020, 2021 and 2021A bonds are also rated A2 by Moody's. The District bonds prior to the Series 2016 bonds are not rated or insured. There were no changes in the bond ratings during the fiscal year ended May 31, 2021.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At May 31, 2021, the estimated amount due to the developers was $4,828,032.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately $42,705,000 for the 2020 tax year (approximately 15%) primarily due to the addition of new houses to the tax base.

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 District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which 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 would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the “Subsidence District”) Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District’s authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan (“GRP”), approved by the Subsidence District and by January 2005, the District must have provided evidence to the Subsidence District that construction of the infrastructure defined within the District’s certified groundwater reduction plan has started. The Subsidence District has designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the “Authority”) and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District’s requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority’s GRP to achieve compliance with the subsidence District’s requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the initial phase of the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. The Authority's surface water pumpage fee was equal to $3.45 as of May 31, 2021, and is expected to increase in the future. The Authority's surface water usage fee was equal to $3.85 as of May 31, 2021, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In addition, conversion to surface water will necessitate improvements to the District’s water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority’s GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This disincentive fee would be in addition to the Authority’s fee.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

MAY 31, 2021

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 77,094	$ 63,753	$ 12	$ 140,859	$	$ 140,859
Temporary investments, at cost, Note 7	2,709,888	1,605,044	2,450,552	6,765,484		6,765,484
Receivables:						
Property taxes	24,917	37,784		62,701		62,701
Accrued penalty and interest on property taxes				0	9,806	9,806
Service accounts	133,662			133,662		133,662
Other	3,008			3,008		3,008
Prepaid lease expenditures, Note 9	14,050			14,050		14,050
Prepaid insurance	12,394			12,394		12,394
Due from other fund	41,609			41,609	(41,609)	0
Maintenance taxes collected not yet transferred from other fund	951			951	(951)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	12,546,307	12,546,307
Depreciable capital assets				0	19,276,781	19,276,781
Total assets	$3,017,573	$1,706,581	$2,450,564	$ 7,174,718	31,790,334	38,965,052
LIABILITIES						
Accounts payable	$ 242,532	$ 7,892	$ 32,407	$ 282,831		282,831
Construction contracts payable	27,862					
Accrued interest payable				0	297,251	297,251
Customer and builder deposits	157,400			157,400		157,400
Due to other fund			41,609	41,609	(41,609)	0
Maintenance taxes collected not yet transferred to other fund		951		951	(951)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,271,167	1,271,167
Due in more than one year				0	44,364,244	44,364,244
Total liabilities	427,794	8,843	74,016	510,653	45,890,102	46,400,755
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	24,917	37,784	0	62,701	(62,701)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable:						
Prepaid lease expenditures, Note 9	7,400			7,400	(7,400)	0
Assigned to:						
Debt service		1,659,954		1,659,954	(1,659,954)	0
Capital projects			2,376,548	2,376,548	(2,376,548)	0
Unassigned	2,557,462			2,557,462	(2,557,462)	0
Total fund balances	2,564,862	1,659,954	2,376,548	6,601,364	(6,601,364)	0
Total liabilities, deferred inflows, and fund balances	$3,017,573	$1,706,581	$2,450,564	$ 7,174,718		
Net position:						
Invested in capital assets, net of related debt, Note 4					(13,809,323)	(13,809,323)
Restricted for debt service					1,410,293	1,410,293
Restricted for capital projects					2,376,548	2,376,548
Unrestricted					2,589,779	2,589,779
Total net position					$ (7,432,703)	$ (7,432,703)

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 1,600,838	$ 2,549,843	$	$ 4,150,681	$ 1,904	$ 4,152,585
Water service	361,886			361,886		361,886
Sewer service	620,598			620,598		620,598
Surface water fees, Note 10	486,535			486,535		486,535
Penalty and interest	23,242	28,500		51,742	1,167	52,909
Tap connection and sewer inspection fees	170,515			170,515		170,515
Accrued interest on bonds received at date of sale		12,035		12,035	(12,035)	0
Interest on deposits and investments	2,370	1,327	2,015	5,712		5,712
Other	19,654			19,654		19,654
Total revenues	3,285,638	2,591,705	2,015	5,879,358	(8,964)	5,870,394
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	215,943	15,175	11,310	242,428		242,428
Contracted services	122,002	51,714		173,716		173,716
Utilities	291,170			291,170		291,170
Surface water pumpage fees, Note 10	487,481			487,481		487,481
Lease of sewage plant, Note 9	82,800			82,800		82,800
Repairs and maintenance	423,725			423,725		423,725
Other operating expenditures	221,210			221,210		221,210
Security service	73,006			73,006		73,006
Garbage disposal	275,688			275,688		275,688
Administrative expenditures	91,538	5,667		97,205		97,205
Depreciation				0	605,317	605,317
Capital outlay / non-capital outlay	619,435		5,850,476	6,469,911	(3,416,000)	3,053,911
Developer construction interest			502,709	502,709		502,709
Debt service:						
Principal retirement		1,160,000		1,160,000	(1,160,000)	0
Bond issuance expenditures			982,683	982,683		982,683
Interest and fees		1,101,805		1,101,805	201,424	1,303,229
Total expenditures / expenses	2,903,998	2,334,361	7,347,178	12,585,537	(3,769,259)	8,816,278
Excess (deficiency) of revenues over expenditures	381,640	257,344	(7,345,163)	(6,706,179)	3,760,295	(2,945,884)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		293,081	11,746,919	12,040,000	(12,040,000)	0
Bond issuance discount, Note 5		(293,081)		(293,081)	293,081	0
Bond Anticipation Note repayments, Note 5			(7,040,000)	(7,040,000)	7,040,000	0
Bond Anticipation Note issued, Note 5			3,080,000	3,080,000	(3,080,000)	0
Total other financing sources (uses)	0	0	7,786,919	7,786,919	(7,786,919)	0
Net change in fund balances / net position	381,640	257,344	441,756	1,080,740	(4,026,624)	(2,945,884)
Beginning of year	2,183,222	1,402,610	1,934,792	5,520,624	(10,007,443)	(4,486,819)
End of year	$ 2,564,862	$ 1,659,954	$ 2,376,548	$ 6,601,364	$(14,034,067)	$ (7,432,703)

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2021

NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 432 (the "District") was created by was created by an order of the Texas Commission on Environmental Quality effective June 22, 2005, and operates accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on June 30, 2005, and the first bonds were sold on December 5, 2011. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services and construct and maintain recreational facilities. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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 expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 6,601,364
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		31,826,088
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (41,550,000)	
Deferred charge on refunding (to be amortized as interest expense)	80,684	
Issuance discount, net of premiums (to be amortized as interest expense)	661,937	
Due to developers for construction	(4,828,032)	(45,635,411)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	9,806	
Uncollected property taxes	62,701	72,507
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(297,251)
Net position, end of year		$ (7,432,703)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		$ 1,080,740
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 3,225,375	
Depreciation	(605,317)	2,620,058
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bond Anticipation Note repayment	7,040,000	
Bond Anticipation Note issued	(3,080,000)	
Operating advances paid	190,625	
Bonds issued	(12,040,000)	
Principal reduction	1,160,000	(6,729,375)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(8,583)	
Issuance discounts, net of premiums	138,819	130,236
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	1,167	
Uncollected property taxes	1,904	3,071
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 the funds:		
Accrued interest		(50,614)
Change in net position		$ (2,945,884)

NOTE 4: CAPITAL ASSETS

At May 31, 2021, "Invested in capital assets, net of related debt" was $(13,809,323). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended May 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,645,326	$ 323,436	$	$ 1,968,762
Detention ponds	4,812,843	936,670		5,749,513
Construction in progress	10,230,693	4,868,714	10,271,375	4,828,032
Total capital assets not being depreciated	16,688,862	6,128,820	10,271,375	12,546,307
Depreciable capital assets:				
Park and recreational	0	1,449,639		1,449,639
Water system	6,588,205	1,386,065		7,974,270
Sewer system	9,405,431	3,058,402		12,463,833
Total depreciable capital assets	15,993,636	5,894,106	0	21,887,742
Less accumulated depreciation for:				
Park and recreational	0	(32,214)		(32,214)
Water system	(1,324,593)	(273,469)		(1,598,062)
Sewer system	(678,051)	(299,634)		(977,685)
Total accumulated depreciation	(2,002,644)	(605,317)	0	(2,607,961)
Total depreciable capital assets, net	13,990,992	5,288,789	0	19,279,781
Total capital assets, net	$ 30,679,854	$ 11,417,609	$ 10,271,375	$ 31,826,088
Changes to capital assets:				
Capital outlay		$ 3,225,375	$	
Assets transferred to non-depreciable assets		1,260,106	1,260,106	
Assets transferred to depreciable assets		5,875,981	5,875,981	
Drainage system transferred to Harris County		3,135,288	3,135,288	
Increase in liability to developer for construction		4,376,652		
Capital outlay paid (decrease in liability) to developers		(5,850,476)		
Less depreciation expense for the fiscal year		(605,317)		
Net increases / decreases to capital assets		$ 11,417,609	$ 10,271,375	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

On November 26, 2019, the District issued its Series 2019 Bond Anticipation Note in the amount of $3,960,000. The Series 2019 Bond Anticipation Note was repaid from the proceeds of the District's $6,630,000 Series 2020 Unlimited Tax Bonds issued July 15, 2020.

On November 4, 2020, the District issued its Series 2020 Bond Anticipation Note in the amount of $2,030,000. The Series 2020 Bond Anticipation Note was repaid from the proceeds of the District's $3,365,000 Series 2021 Unlimited Tax Bonds issued May 19, 2021.

On November 24, 2020, the District issued its Series 2020 Park Bond Anticipation Note in the amount of $1,050,000. The Series 2020 Park Bond Anticipation Note was repaid from the proceeds of the District's $2,045,000 Series 2021A Unlimited Tax Park Bonds issued May 19, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Long-term liability activity for the fiscal year ended May 31, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 30,670,000	$ 12,040,000	$ 1,160,000	$ 41,550,000	$ 1,345,000
Less deferred amounts:					
For refunding costs	(89,267)		(8,583)	(80,684)	(8,375)
For issuance discounts	(523,118)	(293,081)	(154,262)	(661,937)	(65,458)
Total bonds payable	30,057,615	11,746,919	997,155	40,807,379	1,271,167
Bond Anticipation Note payable	3,960,000	3,080,000	7,040,000	0	-----------
Due to developers for operating advances (see below)	190,625		190,625	0	-----------
Due to developers for construction (see below)	6,301,856	4,376,652	5,850,476	4,828,032	-----------
Total due to developers	6,492,481	4,376,652	6,041,101	4,828,032	0
Total long-term liabilities	$ 40,510,096	$ 19,203,571	$ 14,078,256	$ 45,635,411	$ 1,271,167

Developer Construction Commitments, Liabilities and Advances

The developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at May 31, 2021, was $4,828,032. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

As of May 31, 2021, the debt service requirements on the bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 1,345,000	$ 1,207,825	$ 2,552,825
2023	1,385,000	1,181,423	2,566,423
2024	1,440,000	1,134,657	2,574,657
2025	1,485,000	1,085,942	2,570,942
2026	1,530,000	1,034,617	2,564,617
2027 - 2031	8,410,000	4,524,888	12,934,888
2032 - 2036	9,875,000	3,264,816	13,139,816
2037 - 2041	10,830,000	1,692,507	12,522,507
2042 - 2046	5,250,000	315,703	5,565,703
	$ 41,550,000	$ 15,442,378	$ 56,992,378

Bonds voted	$ 120,000,000
Bonds approved for sale and sold	44,985,000
Bonds voted and not issued	75,015,000
Parks and recreation bonds voted and not issued	7,955,000

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at May 31, 2021, were as follows:

	Series 2013	Series 2014	Series 2015
Amounts outstanding, May 31, 2021	$105,000	$1,770,000	$2,620,000
Interest rates	3.20%	3.00% to 4.125%	2.75% to 4.10%
Maturity dates, serially beginning/ending	March 1,2022	March 1, 2022/2039	March 1, 2022/2040
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2020*	March 1, 2022*	March 1, 2023*

	Series 2016	Series 2017	Series 2018
Amounts outstanding, May 31, 2021	$5,260,000	$5,495,000	$6,305,000
Interest rates	2.00% to 3.00%	2.25% to 4.00%	3.00% to 4.50%
Maturity dates, serially beginning/ending	March 1, 2022/2041	March 1, 2022/2042	March 1, 2022/2043
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2024*	March 1, 2025*	March 1, 2023*

	Series 2019	Refunding Series 2019	Series 2020
Amounts outstanding, May 31, 2021	$5,270,000	$2,815,000	$6,500,000
Interest rates	3.00% to 3.125%	3.00%	2.00% to 4.50%
Maturity dates, serially beginning/ending	March 1, 2022/2044	March 1, 2022/2038	March 1, 2022/2045
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2024*	March 1, 2029*	March 1, 2025*

	Series 2021	Series 2021A Park
Amounts outstanding, May 31, 2021	$3,365,000	$2,045,000
Interest rates	1.50% to 2.25%	1.75% to 4.25%
Maturity dates, serially beginning/ending	March 1, 2022/2046	March 1, 2022/2046
Interest payment dates	September 1/March 1	September 1/March 1
Callable dates	March 1, 2026*	March 1, 2026*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held September 19, 2005, the voters within the District authorized a maintenance tax not to exceed $1.50 per $100 valuation on all property subject to taxation within the District and a parks and recreation tax not to exceed $0.10 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 21, 2021, the District levied the following ad valorem taxes for the 2020 tax year on the adjusted taxable valuation of $319,495,682:

	Rate	Amount
Debt service	$ 0.8000	$ 2,555,966
Maintenance	0.5000	1,597,479
	$ 1.3000	$ 4,153,445

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2020 tax year total property tax levy	$ 4,153,445
Appraisal district adjustments to prior year taxes	(860)
Statement of Activities property tax revenues	$ 4,152,585

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAm by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was $6,765,484.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits restricted by state statutes and Bond Orders:

Debt Service Fund

For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:

Cash	$ 63,753
Temporary investments	1,605,044
	$ 1,668,797

Capital Projects Fund

For construction of capital assets:

Cash	$ 12
Temporary investments	2,450,552
	$ 2,450,564

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; personal injuries and natural disasters. Significant losses are covered by insurance as described below.

At May 31, 2021, the District had physical damage and boiler and machinery coverage of $6,403,408, comprehensive general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, automobile liability coverage of $1,000,000 and consultant's crime coverage of $10,000 and a tax assessor-collector bond of $25,000.

NOTE 9: LEASES

On February 2, 2015, the District and AUC Group, L.P. entered into an agreement for the lease of Expansion Equipment (the "Equipment") for the Sewage Treatment Plant (the "Plant"). The lessor is the owner of the Equipment and the District is responsible for repairs and maintenance and other operating expenditures of the Equipment. The original term of the lease is 60 months at a rate of $6,250 per month, after which the lease automatically extends to a month-to-month term at the rate of $5,500 per month. The 60 month term began on October 1, 2015. The District accrued lease costs of $69,000 for the fiscal year ended May 31, 2021. At this date, the District had prepaid $5,500 for one month's lease payment and $6,250 as a deposit for the last month's lease payment.

On June 20, 2018, the District and AUC Group, L.P. entered into an agreement for the lease of Additional Expansion Equipment (the "Additional Equipment") for the Plant. The lessor is the owner of the Additional Equipment and the District is responsible for repairs and maintenance and other operating expenditures of the Additional Equipment. The original term of the lease is 60 months at a rate of $1,150 per month, after which the lease automatically extends to a month-to-month term at the rate of $800 per month. The 60 month term began on March 1, 2019. The District accrued lease costs of $13,800 for the fiscal year ended May 31, 2021. At this date, the District had prepaid $1,150 for one month's lease payment and $1,150 as a deposit for the last month's lease payment.

NOTE 10: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected nine member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of May 31, 2021, the Authority had established a well pumpage fee of $3.45 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of $3.85 per 1,000 gallons of surface water purchased from the Authority. The surface water fees payable by the District to the Authority for the fiscal year ended May 31, 2021, were $487,481. The District billed its customers $486,535 during the fiscal year to pay for the fees charged by the Authority.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2021

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 1,708,807	$ 1,708,807	$ 1,600,838	$ (107,969)
Water service	324,960	324,960	361,886	36,926
Sewer service	567,920	567,920	620,598	52,678
Surface water fees	350,004	350,004	486,535	136,531
Penalty	18,000	18,000	23,242	5,242
Tap connection and sewer inspection fees	79,285	79,285	170,515	91,230
Interest on deposits	42,000	42,000	2,370	(39,630)
Other	15,000	15,000	19,654	4,654
TOTAL REVENUES	3,105,976	3,105,976	3,285,638	179,662
EXPENDITURES				
Service operations:				
Professional fees	138,954	138,954	215,943	76,989
Contracted services	127,160	127,160	122,002	(5,158)
Utilities	96,000	96,000	291,170	195,170
Surface water pumpage fees	350,004	350,004	487,481	137,477
Lease of sewage plant	88,800	88,800	82,800	(6,000)
Repairs and maintenance	463,200	463,200	423,725	(39,475)
Other operating expenditures	165,564	165,564	221,210	55,646
Security services	72,552	72,552	73,006	454
Garbage disposal	268,064	268,064	275,688	7,624
Administrative expenditures	112,535	112,535	91,538	(20,997)
Capital outlay	68,175	68,175	619,435	551,260
TOTAL EXPENDITURES	1,951,008	1,951,008	2,903,998	952,990
EXCESS REVENUES (EXPENDITURES)	1,154,968	1,154,968	381,640	(773,328)
FUND BALANCE, BEGINNING OF YEAR	2,183,222	2,183,222	2,183,222	0
FUND BALANCE, END OF YEAR	$ 3,338,190	$ 3,338,190	$ 2,564,862	$ (773,328)

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

MAY 31, 2021

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

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

SCHEDULE OF SERVICES AND RATES

MAY 31, 2021

1. Services Provided by the District:

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

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

__ Other

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$14.00	6,000	N	$1.25	6,001 to 10,000
				1.50	10,001 to 15,000
				1.75	15,001 to 20,000
				2.00	Over 20,000
WASTEWATER:	$37.53	0	Y	Not Applicable	Not Applicable

SURCHARGE: $3.45 per 1,000 gallons of water used. – WHCRWA surface water fees.

District employs winter averaging for wastewater usage: Yes __ No X

Total charges per 10,000 gallons usage: Water: $19.00 Wastewater: $37.53 Surcharge: $34.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

SCHEDULE OF SERVICES AND RATES (Continued)

MAY 31, 2021

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	1,459	1,448	1.0	1,448
1"	12	12	2.5	30
1-1/2"	3	3	5.0	15
2"	15	15	8.0	120
3"	0	0	15.0	0
4"	1	1	25.0	25
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	1,490	1,479		1,638
Total Wastewater	1,463	1,452	1.0	1,452

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited):	151,096
Gallons billed to customers (unaudited):	149,868
Water Accountability Ratio (Gallons billed/ gallons pumped):	99%

4. Standby Fees (authorized only under TWC Section 49.231):

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

If yes, date of the most recent Commission Order: ___________________

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

If yes, date of the most recent Commission Order: ___________________

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

EXPENDITURES

FOR THE YEAR ENDED MAY 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 10,950	$	$	$ 10,950
Legal	172,387	15,175	11,310	198,872
Engineering	32,606			32,606
	215,943	15,175	11,310	242,428
Contracted services:				
Bookkeeping	27,934			27,934
Operation and billing	94,068			94,068
Tax assessor-collector		20,899		20,899
Central appraisal district		30,815		30,815
	122,002	51,714	0	173,716
Utilities	291,170	0	0	291,170
Surface water pumpage fees	487,481	0	0	487,481
Lease of sewer plant	82,800	0	0	82,800
Repairs and maintenance	423,725	0	0	423,725
Other operating expenditures:				
Sludge hauling	134,058			134,058
Chemicals	14,645			14,645
Laboratory costs	24,557			24,557
Inspection costs	24,815			24,815
Reconnection costs	19,200			19,200
TCEQ assessment	3,299			3,299
Telephone	636			636
	221,210	0	0	221,210
Security service	73,006	0	0	73,006
Garbage disposal	275,688	0	0	275,688
Administrative expenditures:				
Director's fees	9,900			9,900
Office supplies and postage	58,651			58,651
Insurance	17,393			17,393
Permit fees	4,019			4,019
Other	1,575	5,667		7,242
	91,538	5,667	0	97,205

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

EXPENDITURES (Continued)

FOR THE YEAR ENDED MAY 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$ 510,187	$	$ 5,850,476	$ 6,360,663
Tap connection costs	109,248			109,248
	619,435	0	5,850,476	6,469,911
Developer construction interest	0	0	502,709	502,709
DEBT SERVICE				
Principal retirement	0	1,160,000	0	1,160,000
Bond issuance expenditures	0	0	982,683	982,683
Interest and fees:				
Interest		1,096,055		1,096,055
Paying agent fees		5,750		5,750
	0	1,101,805	0	1,101,805
TOTAL EXPENDITURES	$ 2,903,998	$ 2,334,361	$ 7,347,178	$ 12,585,537

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MAY 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 1,660,259	$ 2,591,705	$ 2,015	$ 4,253,979
Maintenance tax receipts		1,600,838		1,600,838
Transfer of maintenance taxes	1,610,863			1,610,863
Proceeds from bonds			11,746,919	11,746,919
Proceeds from Bond Anticipation Note			3,080,000	3,080,000
Receipt of interfund receivable			56,200	56,200
Increase in customer deposits	9,165			9,165
Overpayments from taxpayers		15,286		15,286
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	3,280,287	4,207,829	14,885,134	22,373,250
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,179,461	78,772	6,076	2,264,309
Capital outlay	598,091		6,326,743	6,924,834
Debt service		2,261,805	941,074	3,202,879
Other fund	41,609			41,609
Bond Anticipation Note repayment			7,040,000	7,040,000
Transfer of maintenance taxes		1,610,863		1,610,863
Payment of interfund payable	56,200			56,200
Refund of taxpayer overpayments		14,956		14,956
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	2,875,361	3,966,396	14,313,893	21,155,650
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	404,926	241,433	571,241	1,217,600
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	2,382,056	1,427,364	1,879,323	5,688,743
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 2,786,982	$ 1,668,797	$ 2,450,564	$ 6,906,343

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

SCHEDULE OF TEMPORARY INVESTMENTS

FOR THE YEAR ENDED MAY 31, 2021

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
TexPool				
No. 7935300001	Market	On demand	$ 2,709,888	$ 0
DEBT SERVICE FUND				
TexPool				
No. 7935300003	Market	On demand	$ 1,605,044	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 7935300002	Market	On demand	$ 2,431,769	$ 0
No. 7935300004	Market	On demand	18,783	0
			$ 2,450,552	$ 0
Total – All Funds			$ 6,765,484	$ 0

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED MAY 31, 2021

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 28,688	$ 32,109
Additions and corrections to prior year taxes	(412)	(448)
Adjusted receivable, beginning of year	28,276	31,661
2020 ADJUSTED TAX ROLL	1,597,479	2,555,966
Total to be accounted for	1,625,755	2,587,627
Tax collections: Current tax year	(1,578,324)	(2,525,318)
Prior tax years	(22,514)	(24,525)
RECEIVABLE, END OF YEAR	$ 24,917	$ 37,784
RECEIVABLE BY TAX YEAR		
2011	$ 360	$
2014	43	44
2017	242	305
2018	1,080	2,365
2019	4,037	4,422
2020	19,155	30,648
RECEIVABLE, END OF YEAR	$ 24,917	$ 37,784

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED MAY 31, 2021

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2020	2019	2018	2017
Land	$ 70,722,730	$ 57,488,747	$ 52,461,120	$ 42,415,603
Improvements	274,804,771	223,156,255	174,811,903	143,809,991
Personal property	2,007,602	1,651,152	1,436,234	1,186,077
Less exemptions	(28,039,421)	(5,506,293)	(4,094,367)	(4,147,541)
TOTAL PROPERTY VALUATIONS	$ 319,495,682	$ 276,789,861	$ 224,614,890	$ 183,264,130
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.80000	$ 0.69000	$ 0.92000	$ 0.77000
Maintenance tax rates*	0.50000	0.63000	0.42000	0.61000
TOTAL TAX RATES PER $100 VALUATION	$ 1.30000	$ 1.32000	$ 1.34000	$ 1.38000
TAX ROLLS	$ 4,153,445	$ 3,653,626	$ 3,009,840	$ 2,529,045
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	98.8 %	99.8 %	99.9 %	99.9 %

*Maximum tax rate approved by voters on September 19, 2005: $1.50

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

FOR THE YEAR ENDED MAY 31, 2021

	Series 2013		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 105,000	$ 3,360	$ 108,360

	Series 2014		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 65,000	$ 66,670	$ 131,670
2023	65,000	64,718	129,718
2024	70,000	62,688	132,688
2025	75,000	60,500	135,500
2026	75,000	58,062	133,062
2027	80,000	55,625	135,625
2028	85,000	52,825	137,825
2029	90,000	49,744	139,744
2030	95,000	46,368	141,368
2031	100,000	42,806	142,806
2032	100,000	39,056	139,056
2033	105,000	35,182	140,182
2034	110,000	31,112	141,112
2035	120,000	26,712	146,712
2036	125,000	21,912	146,912
2037	130,000	16,912	146,912
2038	135,000	11,550	146,550
2039	145,000	5,982	150,982
TOTALS	$ 1,770,000	$ 748,424	$ 2,518,424

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2015		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 90,000	$ 100,255	$ 190,255
2023	95,000	97,780	192,780
2024	100,000	94,930	194,930
2025	105,000	91,830	196,830
2026	110,000	88,418	198,418
2027	115,000	84,677	199,677
2028	120,000	80,652	200,652
2029	125,000	76,273	201,273
2030	130,000	71,585	201,585
2031	135,000	66,385	201,385
2032	140,000	60,985	200,985
2033	145,000	55,245	200,245
2034	150,000	49,300	199,300
2035	160,000	43,300	203,300
2036	165,000	36,900	201,900
2037	175,000	30,135	205,135
2038	180,000	22,960	202,960
2039	185,000	15,580	200,580
2040	195,000	7,995	202,995
TOTALS	$ 2,620,000	$ 1,175,185	$ 3,795,185

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2016		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 190,000	$ 136,425	$ 326,425
2023	195,000	132,625	327,625
2024	200,000	128,725	328,725
2025	210,000	124,725	334,725
2026	215,000	120,525	335,525
2027	225,000	116,225	341,225
2028	230,000	111,725	341,725
2029	240,000	105,975	345,975
2030	245,000	99,975	344,975
2031	255,000	93,850	348,850
2032	265,000	87,475	352,475
2033	270,000	80,850	350,850
2034	280,000	73,425	353,425
2035	290,000	65,725	355,725
2036	300,000	57,750	357,750
2037	310,000	49,500	359,500
2038	320,000	40,200	360,200
2039	330,000	30,600	360,600
2040	340,000	20,700	360,700
2041	350,000	10,500	360,500
TOTALS	$ 5,260,000	$ 1,687,500	$ 6,947,500

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2017		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 220,000	$ 179,350	$ 399,350
2023	220,000	170,550	390,550
2024	220,000	161,750	381,750
2025	215,000	152,950	367,950
2026	220,000	144,350	364,350
2027	220,000	139,400	359,400
2028	225,000	133,900	358,900
2029	225,000	128,275	353,275
2030	225,000	122,088	347,088
2031	225,000	115,338	340,338
2032	235,000	108,588	343,588
2033	245,000	101,538	346,538
2034	245,000	94,188	339,188
2035	245,000	86,532	331,532
2036	250,000	78,568	328,568
2037	315,000	70,444	385,444
2038	325,000	59,812	384,812
2039	335,000	48,844	383,844
2040	350,000	37,537	387,537
2041	360,000	25,724	385,724
2042	375,000	13,124	388,124
TOTALS	$ 5,495,000	$ 2,172,850	$ 7,667,850

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2018		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 190,000	$ 225,394	$ 415,394
2023	195,000	216,844	411,844
2024	200,000	208,069	408,069
2025	210,000	199,068	409,068
2026	220,000	189,618	409,618
2027	225,000	183,018	408,018
2028	235,000	176,268	411,268
2029	245,000	169,218	414,218
2030	255,000	161,562	416,562
2031	265,000	153,276	418,276
2032	275,000	144,332	419,332
2033	285,000	135,050	420,050
2034	295,000	125,076	420,076
2035	305,000	114,750	419,750
2036	315,000	104,076	419,076
2037	330,000	93,050	423,050
2038	340,000	81,500	421,500
2039	355,000	69,600	424,600
2040	370,000	56,732	426,732
2041	385,000	43,318	428,318
2042	395,000	29,362	424,362
2043	415,000	15,044	430,044
TOTALS	$ 6,305,000	$ 2,894,225	$ 9,199,225

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2019		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 135,000	$ 159,394	$ 294,394
2023	140,000	155,343	295,343
2024	145,000	151,144	296,144
2025	155,000	146,794	301,794
2026	160,000	142,144	302,144
2027	165,000	137,343	302,343
2028	175,000	132,394	307,394
2029	185,000	127,144	312,144
2030	190,000	121,594	311,594
2031	200,000	115,893	315,893
2032	210,000	109,894	319,894
2033	220,000	103,594	323,594
2034	230,000	96,994	326,994
2035	240,000	90,094	330,094
2036	250,000	82,893	332,893
2037	260,000	75,394	335,394
2038	275,000	67,594	342,594
2039	285,000	59,344	344,344
2040	300,000	50,794	350,794
2041	315,000	41,793	356,793
2042	330,000	32,344	362,344
2043	345,000	22,031	367,031
2044	360,000	11,250	371,250
TOTALS	$ 5,270,000	$ 2,233,200	$ 7,503,200

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2019 Refunding		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 75,000	$ 84,450	$ 159,450
2023	185,000	82,200	267,200
2024	195,000	76,650	271,650
2025	130,000	70,800	200,800
2026	140,000	66,900	206,900
2027	145,000	62,700	207,700
2028	150,000	58,350	208,350
2029	150,000	53,850	203,850
2030	160,000	49,350	209,350
2031	165,000	44,550	209,550
2032	170,000	39,600	209,600
2033	175,000	34,500	209,500
2034	185,000	29,250	214,250
2035	185,000	23,700	208,700
2036	195,000	18,150	213,150
2037	200,000	12,300	212,300
2038	210,000	6,300	216,300
TOTALS	$ 2,815,000	$ 813,600	$ 3,628,600

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2020		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 130,000	$ 158,412	$ 288,412
2023	145,000	152,562	297,562
2024	155,000	146,038	301,038
2025	225,000	139,062	364,062
2026	230,000	128,938	358,938
2027	235,000	120,888	355,888
2028	235,000	116,187	351,187
2029	240,000	111,488	351,488
2030	245,000	106,688	351,688
2031	255,000	101,787	356,787
2032	255,000	96,688	351,688
2033	260,000	91,588	351,588
2034	270,000	86,388	356,388
2035	275,000	80,987	355,987
2036	285,000	75,488	360,488
2037	230,000	69,788	299,788
2038	230,000	64,900	294,900
2039	325,000	60,012	385,012
2040	340,000	52,700	392,700
2041	355,000	45,050	400,050
2042	370,000	37,062	407,062
2043	385,000	28,737	413,737
2044	405,000	19,594	424,594
2045	420,000	9,975	429,975
TOTALS	$ 6,500,000	$ 2,101,007	$ 8,601,007

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2021		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 90,000	$ 54,948	$ 144,948
2023	90,000	64,138	154,138
2024	95,000	62,338	157,338
2025	100,000	60,438	160,438
2026	100,000	58,437	158,437
2027	105,000	56,438	161,438
2028	110,000	54,862	164,862
2029	110,000	53,212	163,212
2030	115,000	51,562	166,562
2031	120,000	49,838	169,838
2032	125,000	48,038	173,038
2033	125,000	46,006	171,006
2034	130,000	43,974	173,974
2035	135,000	41,700	176,700
2036	140,000	39,338	179,338
2037	145,000	36,538	181,538
2038	150,000	33,638	183,638
2039	155,000	30,450	185,450
2040	160,000	27,156	187,156
2041	165,000	23,756	188,756
2042	170,000	20,250	190,250
2043	175,000	16,424	191,424
2044	180,000	12,488	192,488
2045	185,000	8,438	193,438
2046	190,000	4,274	194,274
TOTALS	$ 3,365,000	$ 998,679	$ 4,363,679

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Series 2021A Park		
Due During Fiscal Years Ending May 31	Principal Due March 1	Interest Due September 1, March 1	Total
2022	$ 55,000	$ 39,167	$ 94,167
2023	55,000	44,663	99,663
2024	60,000	42,325	102,325
2025	60,000	39,775	99,775
2026	60,000	37,225	97,225
2027	65,000	34,675	99,675
2028	65,000	33,537	98,537
2029	70,000	32,400	102,400
2030	70,000	31,175	101,175
2031	70,000	29,950	99,950
2032	75,000	28,725	103,725
2033	75,000	27,225	102,225
2034	80,000	25,725	105,725
2035	80,000	24,125	104,125
2036	85,000	22,525	107,525
2037	90,000	20,825	110,825
2038	90,000	19,025	109,025
2039	95,000	17,225	112,225
2040	95,000	15,325	110,325
2041	100,000	13,425	113,425
2042	105,000	11,425	116,425
2043	105,000	9,325	114,325
2044	110,000	7,225	117,225
2045	115,000	4,887	119,887
2046	115,000	2,444	117,444
TOTALS	$ 2,045,000	$ 614,348	$ 2,659,348

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

MAY 31, 2021

	Annual Requirements for All Series		
Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total
2022	$ 1,345,000	$ 1,207,825	$ 2,552,825
2023	1,385,000	1,181,423	2,566,423
2024	1,440,000	1,134,657	2,574,657
2025	1,485,000	1,085,942	2,570,942
2026	1,530,000	1,034,617	2,564,617
2027	1,580,000	990,989	2,570,989
2028	1,630,000	950,700	2,580,700
2029	1,680,000	907,579	2,587,579
2030	1,730,000	861,947	2,591,947
2031	1,790,000	813,673	2,603,673
2032	1,850,000	763,381	2,613,381
2033	1,905,000	710,778	2,615,778
2034	1,975,000	655,432	2,630,432
2035	2,035,000	597,625	2,632,625
2036	2,110,000	537,600	2,647,600
2037	2,185,000	474,886	2,659,886
2038	2,255,000	407,479	2,662,479
2039	2,210,000	337,637	2,547,637
2040	2,150,000	268,939	2,418,939
2041	2,030,000	203,566	2,233,566
2042	1,745,000	143,567	1,888,567
2043	1,425,000	91,561	1,516,561
2044	1,055,000	50,557	1,105,557
2045	720,000	23,300	743,300
2046	305,000	6,718	311,718
TOTALS	$ 41,550,000	$ 15,442,378	$ 56,992,378

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED MAY 31, 2021

	(1)	(2)	(3)	(4)
Bond Series:	2013	2014	2015	2016
Interest Rate:	3.20%	3.00% to 4.125%	2.75% to 4.10%	2.00% to 3.00%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	March 1, 2022	March 1, 2022/2039	March 1, 2022/2040	March 1, 2022/2041
Bonds Outstanding at Beginning of Current Year	$ 205,000	$ 1,830,000	$ 2,710,000	$ 5,445,000
Less Retirements	(100,000)	(60,000)	(90,000)	(185,000)
Bonds Outstanding at End of Current Year	$ 105,000	$ 1,770,000	$ 2,620,000	$ 5,260,000
Current Year Interest Paid	$ 6,460	$ 68,319	$ 102,505	$ 140,125

Bond Descriptions and Original Amount of Issue

(1) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2013 ($3,370,000)

(2) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2014 ($2,100,000)

(3) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2015 ($3,075,000)

(4) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2016 ($6,115,000)

Paying Agent/Registrar

(1) (2) (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED MAY 31, 2021

	(5)	(6)	(7)	(8)
Bond Series:	2017	2018	2019	2019 Ref.
Interest Rate:	2.25% to 4.00%	3.00% to 4.50%	3.00% to 3.125%	3.00%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	March 1, 2022/2042	March 1, 2022/2043	March 1, 2022/2044	March 1, 2022/2038
Bonds Outstanding at Beginning of Current Year	$ 5,715,000	$ 6,485,000	$ 5,395,000	$ 2,885,000
Less Retirements	(220,000)	(180,000)	(125,000)	(70,000)
Bonds Outstanding at End of Current Year	$ 5,495,000	$ 6,305,000	$ 5,270,000	$ 2,815,000
Current Year Interest Paid	$ 185,950	$ 233,494	$ 163,144	$ 86,550

Bond Descriptions and Original Amount of Issue

(5) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2017 ($6,350,000)

(6) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2018 ($6,785,000)

(7) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2019 ($5,395,000)

(8) Harris County Municipal Utility District No. 432 Unlimited Tax Refunding Bonds, Series 2019 ($2,920,000)

Paying Agent/Registrar

(5) (6) (7) (8) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority	Tax Bonds	Park and Recreation Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 120,000,000	$ 10,000,000	$ 0
Amount Issued:	44,985,000	2,045,000	
Remaining to be Issued:	75,015,000	7,955,000	

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED MAY 31, 2021

	(9)	(10)	(11)	Totals
Bond Series:	2020	2021	2021A	
Interest Rate:	2.00% to 4.50%	1.50% to 2.25%	1.75% to 4.25%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity Dates:	March 1, 2022/2045	March 1, 2022/2046	March 1, 2022/2046	
Bonds Outstanding at Beginning of Current Year	$ 0	$ 0	$ 0	$ 30,670,000
Add bonds sold	6,630,000	3,365,000	2,045,000	12,040,000
Less Retirements	(130,000)	0	0	(1,160,000)
Bonds Outstanding at End of Current Year	$ 6,500,000	$ 3,365,000	$ 2,045,000	$ 41,550,000
Current Year Interest Paid	$ 109,508	$ 0	$ 0	$ 1,096,055

Bond Descriptions and Original Amount of Issue

(9) Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2020 ($6,630,000)

(10)Harris County Municipal Utility District No. 432 Unlimited Tax Bonds, Series 2021 ($3,365,000)

(11)Harris County Municipal Utility District No. 432 Unlimited Tax Park Bonds, Series 2021A ($2,045,000)

Paying Agent/Registrar

(9) (10) (11) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Net Debt Service Fund deposits and investments balances as of May 31, 2021:	$1,659,954
Average annual debt service payment for remaining term of all debt:	2,279,695

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	$ 1,600,838	$ 1,730,878	$ 946,037	$ 1,186,698	$ 1,046,590	48.7 %	54.8 %	42.5 %	53.3 %	54.3 %
Water service	361,886	311,347	261,147	227,056	187,474	11.0	9.8	11.8	10.2	9.7
Sewer service	620,598	561,471	489,987	428,597	349,138	18.9	17.8	22.1	19.3	18.1
Surface water fees	486,535	368,183	263,897	221,208	165,505	14.8	11.6	11.9	10.0	8.6
Penalty	23,242	21,924	18,945	16,310	17,357	0.7	0.7	0.9	0.7	0.9
Tap connection and sewer inspection fees	170,515	120,600	170,040	121,240	155,685	5.2	3.8	7.7	5.5	8.1
Interest on deposits	2,370	31,083	50,304	21,851	5,739	0.1	1.0	2.3	1.0	0.3
Other	19,654	16,995	18,260	0	0	0.6	0.5	0.8	0.0	0.0
TOTAL REVENUES	3,285,638	3,162,481	2,218,617	2,222,960	1,927,488	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	215,943	207,717	190,266	225,666	228,421	6.6	6.6	8.6	10.1	11.9
Contracted services	122,002	105,803	99,119	85,655	48,846	3.7	3.3	4.5	3.9	2.5
Utilities	291,170	93,042	87,779	85,176	82,433	8.9	2.9	4.0	3.8	4.3
Surface water pumpage fees	487,481	391,256	280,011	234,655	174,054	14.8	12.4	12.6	10.6	9.0
Lease of sewage plant	82,800	88,800	78,450	75,000	75,000	2.5	2.8	3.5	3.4	3.9
Repairs and maintenance	423,725	542,452	367,079	370,911	242,107	12.9	17.2	16.5	16.6	12.5
Other operating expenditures	221,210	189,119	117,245	119,585	115,946	6.7	6.0	5.3	5.4	6.0
Security service	73,006	70,069	69,165	67,769	67,150	2.2	2.2	3.1	3.0	3.5
Garbage disposal	275,688	246,940	225,709	190,474	155,948	8.4	7.8	10.2	8.6	8.1
Administrative expenditures	91,538	88,274	102,488	88,444	72,764	2.8	2.8	4.6	4.0	3.8
Debt service	0	1,145,965	0	0	0	0.0	36.2	0.0	0.0	0.0
Capital outlay	619,435	227,398	393,156	104,853	68,800	18.9	7.2	17.7	4.7	3.6
TOTAL EXPENDITURES	2,903,998	3,396,835	2,010,467	1,648,188	1,331,469	88.4	107.4	90.6	74.1	69.1
EXCESS REVENUES (EXPENDITURES)	$ 381,640	$ (234,354)	$ 208,150	$ 574,772	$ 596,019	11.6 %	(7.4) %	9.4 %	25.9 %	30.9 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,479	1,331	1,204	1,056	896					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,452	1,304	1,182	1,035	882					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND

FOR YEARS ENDED MAY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	$ 2,549,843	$ 1,903,137	$ 2,062,532	$ 1,472,331	$ 936,103	98.3 %	98.0 %	97.6 %	96.8 %	98.0 %
Penalty and interest	28,500	9,704	11,542	30,307	8,515	1.1	0.5	0.5	2.0	0.9
Accrued interest on bonds received at date of sale	12,035	7,662	18,525	7,248	6,823	0.5	0.4	0.9	0.5	0.7
Interest on deposits and investments and other	1,327	21,233	21,401	11,001	3,942	0.1	1.1	1.0	0.7	0.4
TOTAL REVENUES	2,591,705	1,941,736	2,114,000	1,520,887	955,383	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	15,175	9,240	7,434	37,518	4,343	0.6	0.5	0.4	2.5	0.5
Contracted services	51,714	44,809	36,271	31,257	25,189	2.0	2.3	1.7	2.1	2.6
Other expenditures	5,667	4,398	3,838	2,754	2,508	0.2	0.2	0.2	0.2	0.3
Debt service:										
Principal retirement	1,160,000	895,000	795,000	650,000	410,000	44.8	46.1	37.6	42.7	42.9
Interest and fees	1,101,805	997,761	899,158	628,394	470,024	42.5	51.4	42.5	41.3	49.2
TOTAL EXPENDITURES	2,334,361	1,951,208	1,741,701	1,349,923	912,064	90.1	100.5	82.4	88.8	95.5
EXCESS REVENUES (EXPENDITURES)	$ 257,344	$ (9,472)	$ 372,299	$ 170,964	$ 43,319	9.9 %	(0.5) %	17.6 %	11.2 %	4.5 %

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

MAY 31, 2021

Complete District Mailing Address: Harris County Municipal Utility District No. 432
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77002

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: October 1, 2020

Limit on Fees of Office that a Director may receive during a fiscal year: $7,200

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Ken Suminski 46 Foxhall Crescent Dr. Sugar Land, Texas 77479	Elected 5/06/18- 5/07/22	$ 3,600	$ 0	President
William Frey Frey Development Companies, Inc. P.O. Box 941179 Houston, Texas 77094	Elected 5/02/20- 5/04/24	600	0	Vice President
Dianne D. Migl 8312 Winningham Houston, Texas 77055	Elected 5/02/20- 5/04/24	1,950	0	Secretary
Janet LaCorte 8325 Winningham Houston, Texas 77055	Elected 5/02/20- 5/04/24	1,950	0	Assistant Secretary
Jeffrey Zarse 2942 Verdant Spring Trail Katy, Texas 77493	Appointed 2/19/20- 5/07/22	1,800	0	Director

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 432

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

MAY 31, 2021

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	9/15/05	$ 198,872 346,800 Bonds	Attorney
McLennan & Associates, L.P. 1717 St. James Place, Suite 500 Houston, Texas 77056	9/15/05	28,816 7,895 Bonds	Bookkeeper
Jorge Diaz 1717 St. James Place, Suite 500 Houston, Texas 77056	9/15/05	0	Investment Officer
Municipal Operations and Consulting, Inc. 27316 Spectrum Way Oak Ridge North, Texas 77385	11/20/06	455,837	Operator
R. G. Miller Engineers, Inc. 16340 Park Ten Place, Suite 350 Houston, Texas 77084	11/20/06	32,606 144,200 Bonds	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	9/15/05	25,373 5,000 Bonds	Tax Assessor-Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	30,815	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	3/18/15	277,500 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/16/09	10,950 24,250 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B
Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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