

OFFICIAL STATEMENT DATED AUGUST 30, 2022

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds are not "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE - Book-Entry-Only

Ratings: S&P Global Ratings (AGM Insured) "AA" (stable outlook)
Moody's Investors Service, Inc. (AGM Insured) ... "A1" (stable outlook)
Moody's Investors Service, Inc. (Underlying) "Baa2" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein

\$20,110,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 495
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2022

Dated: September 1, 2022

Due: September 1, as shown on the

Interest Accrual Date: Date of Delivery

on inside cover

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected September 27, 2022) (the "Date of Delivery"), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds, including the Term Bonds, maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 495 (the "District"), as a whole or from time to time in part, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

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



See Maturity Schedule on the inside cover

The Bonds constitute the sixth series of bonds issued by the District for the purpose of acquiring and constructing the waterworks, sanitary sewer and storm drainage system (the "Utility System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$189,000,000 principal amount of bonds for the purpose of acquiring and constructing the Utility System and for refunding such bonds, \$58,000,000 for the purpose of acquiring and constructing a road system and refunding such bonds, and \$24,000,000 for the purpose of acquiring and constructing recreational facilities and for refunding such bonds. Following the issuance of the Bonds, \$105,895,000 principal amount of unlimited tax bonds authorized by the District's voters for the acquisition or construction of the Utility System and refunding such bonds, \$56,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the acquisition or construction of a road system and refunding such bonds and \$22,935,000 principal amount of unlimited tax bonds authorized by the District's voters for the acquisition or construction of recreational facilities and refunding such bonds will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt."

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

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about September 27, 2022.

MATURITY SCHEDULE

CUSIP Prefix(a): 41424G

\$4,490,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2024	\$385,000	6.00%	2.70%	HG4
2025	405,000	6.00	2.80	HH2
2026	420,000	6.00	2.90	HJ8
2027	440,000	5.00	3.00	HK5
2028 ^(c)	445,000	4.00	3.10	HL3
2029 ^(c)	455,000	4.00	3.20	HM1
2030 ^(c)	465,000	4.00	3.35	HN9
2031 ^(c)	480,000	4.00	3.50	HP4
2032 ^(c)	490,000	4.00	3.60	HQ2
2033 ^(c)	505,000	4.00	3.70	HR0

\$1,040,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix HT6 (a), Interest Rate 4.00% (Yield 4.00%)(b)

\$1,090,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix HV1 (a), Interest Rate 4.00% (Yield 4.07%)(b)

\$1,145,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix HX7 (a), Interest Rate 4.00% (Yield 4.15%)(b)

\$1,820,000 Term Bonds, Due September 1, 2042(c)(d), CUSIP Suffix JA5 (a), Interest Rate 4.00% (Yield 4.25%)(b)

\$4,090,000 Term Bonds, Due September 1, 2048(c)(d), CUSIP Suffix JG2 (a), Interest Rate 4.25% (Yield 4.35%)(b)

\$6,435,000 Term Bonds, Due September 1, 2052(c)(d), CUSIP Suffix JL1 (a), Interest Rate 4.25% (Yield 4.40%)(b)

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

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

(c) Subject to optional redemption as described above.

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

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	4
SALE AND DISTRIBUTION OF THE BONDS	5
Award of the Bonds.....	5
Marketability	5
Securities Laws	5
BOND INSURANCE	5
Bond Insurance Policy	5
Assured Guaranty Municipal Corp.....	6
BOND INSURANCE RISK FACTORS	7
RATINGS.....	8
OFFICIAL STATEMENT SUMMARY	9
SELECTED FINANCIAL INFORMATION	17
INTRODUCTION.....	20
THE BONDS.....	20
General	20
Payment Record	20
Book-Entry-Only System.....	21
Use of Certain Terms in Other Sections of this Official Statement.....	22
Record Date.....	23
Assignments, Transfers and Exchanges	23
Redemption Provisions	23
Replacement of Registrar	25
Authority for Issuance.....	25
Source of Payment	25
Funds.....	26
Issuance of Additional Debt	26
No Arbitrage.....	27
Annexation	27
Strategic Partnership	27
Consolidation	28
Registered Owners' Remedies.....	28
Bankruptcy Limitation to Registered Owners' Rights.....	28
Legal Investment and Eligibility to Secure Public Funds in Texas.....	29
Defeasance	29
Use and Distribution of Bond Proceeds	30
THE DISTRICT	32
Authority	32
Description	32
Management of the District.....	32
DEVELOPMENT AND HOME CONSTRUCTION.....	34
DEVELOPERS.....	37
General	37
BUILDERS.....	38
FUTURE DEVELOPMENT	38
AERIAL PHOTOGRAPH OF THE DISTRICT	39
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	40
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	41
DISTRICT DEBT.....	42
Debt Service Requirement Schedule.....	42
Bonded Indebtedness.....	43

Estimated Direct and Overlapping Debt Statement.....	45
Debt Ratios.....	45
TAX DATA.....	46
Debt Service Tax.....	46
Tax Rate Limitation.....	46
Maintenance Tax.....	46
Historical Values and Tax Collection History.....	47
Tax Rate Distribution.....	47
Analysis of Tax Base.....	48
Principal 2021 Taxpayers.....	48
Tax Exemption.....	48
Additional Penalties.....	49
Tax Rate Calculations.....	49
Estimated Overlapping Taxes.....	50
TAXING PROCEDURES.....	51
Authority to Levy Taxes.....	51
Property Tax Code and County-wide Appraisal District.....	51
Property Subject to Taxation by the District.....	51
Tax Abatement.....	52
Valuation of Property for Taxation.....	53
District and Taxpayer Remedies.....	53
Levy and Collection of Taxes.....	54
Rollback of Operation and Maintenance Tax Rate.....	54
Tax Payment Installments After Disaster.....	55
District's Rights in the Event of Tax Delinquencies.....	55
THE UTILITY SYSTEM.....	56
Regulation.....	56
Description.....	56
Water Supply.....	57
Subsidence and Conversion to Surface Water Supply.....	57
Wastewater Treatment.....	58
Storm Drainage.....	59
100-Year Flood Plain.....	60
THE ROAD SYSTEM.....	60
INVESTMENT CONSIDERATIONS.....	61
General.....	61
Factors Affecting Taxable Values and Tax Payments.....	61
Tax Collection Limitations.....	64
Registered Owners' Remedies and Bankruptcy.....	64
Marketability.....	64
Future Debt.....	65
Competitive Nature of Houston Residential Housing Market.....	65
Continuing Compliance with Certain Covenants.....	65
Approval of the Bonds.....	65
Environmental Regulations.....	66
Extreme Weather Events.....	68
Changes in Tax Legislation.....	69
Infectious Disease Outbreak (COVID-19).....	69
Potential Effects of Oil Price Fluctuations the Houston Area.....	70
LEGAL MATTERS.....	70
Legal Opinions.....	70
No-Litigation Certificate.....	70
TAX MATTERS.....	71
Tax Accounting Treatment of Original Issue Discount Bonds.....	72
Not Qualified Tax-Exempt Obligations.....	73

NO MATERIAL ADVERSE CHANGE.....	73
OFFICIAL STATEMENT.....	73
General	73
Experts.....	73
Certification as to Official Statement	73
Updating of Official Statement	74
CONTINUING DISCLOSURE OF INFORMATION.....	74
Annual Reports.....	74
Event Notices	74
Availability of Information	75
Limitations and Amendments	75
Compliance With Prior Undertakings	75

APPENDIX A - LOCATION MAP

APPENDIX B - FINANCIAL REPORT

APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter" or the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of 97.004266% of the principal amount thereof, which resulted in a net effective interest rate of 4.355069%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS 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 United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") 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 July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On 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.

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 June 30, 2022:

- The policyholders' surplus of AGM was approximately \$2,779 million.
- The contingency reserve of AGM was approximately \$905 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,114 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 25, 2022);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 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 "BOND INSURANCE - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

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

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

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

RATINGS

The Bonds have been assigned insured ratings of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, and "A1" (stable outlook) from Moody's Investors Service, Inc. ("Moody's"), based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's is "Baa2" (stable outlook).

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris County Municipal Utility District No. 495 (the “District”) is a political subdivision of the State of Texas located within Harris County, Texas. See “THE DISTRICT - Authority.”
Description	\$20,110,000 Unlimited Tax Bonds, Series 2022, are dated September 1, 2022. Interest on the Bonds accrues from the Date of Delivery (as defined herein), at the rates shown on the inside cover hereof, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until maturity or prior redemption. An aggregate of \$4,490,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024 through 2033, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$15,620,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2035, 2037, 2039, 2042, 2048 and 2052 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2028, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2027, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption.” See “THE BONDS.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

Source of Payment.....

Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Use of Proceeds.....

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s costs associated with the construction and acquisition of Water Supply Plant No. 2, Phase 1; Water Supply Plant No. 2, Phase 2; Wastewater Treatment Plant No. 1, Phase 4; Wastewater Treatment Plant No. 2, Phase 2; detention facilities to serve Raven Meadows (Marisol) and Katy Manor South, Phase 1; and water, wastewater and drainage facilities serving Katy Pointe, Sections 3 through 5, Katy Manor, Sections 6 and 8, Katy Crossing, Sections 6 through 8; Marisol, Sections 1 through 3; and Katy Manor South, Section 1; (ii) finance certain land acquisition costs for Harris County Flood Control District, Phase 1 channel, Katy Manor South lift station and Katy Manor South, Phase 1 detention ponds; (iii) pay interest on advances made to or on behalf of the District; and (iv) for administrative and issuance costs, legal fees, fiscal agent’s fees, a fee to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), engineering fees, material testing fees and stormwater pollution prevention plans, and certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its \$11,680,000 Bond Anticipation Note, Series 2021 (the “BAN”), with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record.....

The Bonds are the sixth series of bonds issued by the District to finance water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the “Utility System”). The District has previously issued Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”), Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”), Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds”), Unlimited Tax Bonds, Series 2020 (the “Series 2020 Bonds”) and Unlimited Tax Bonds, Series 2021A (the “Series 2021A Bonds”) for the purpose of acquiring and constructing the Utility System to serve the District. The District has previously issued Unlimited Tax Park Bonds, Series 2020A (the “Series 2020A Park Bonds”) for the purpose of acquiring and constructing recreational facilities to serve the District. The District also has previously issued Unlimited Tax Road Bonds, Series 2021 (the “Series 2021 Road Bonds”) for the purpose of construction of a road system (the “Road System”) to serve

the District. All of such previously issued bonds of the District are hereinafter referred to as the "Prior Bonds." The District has timely paid all payments on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was \$63,615,000 (collectively, the "Outstanding Bonds"), and after the issuance of the Bonds, the total of the District's direct bonded indebtedness owing, consisting of the Outstanding Bonds and the Bonds, will be \$83,725,000.

Authority for Issuance.....

At an election held within the District on May 10, 2014, voters of the District authorized a total of \$189,000,000 in bonds for the purpose of acquiring or constructing waterworks, wastewater, and drainage facilities, and refunding of same. The Bonds constitute the sixth issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapter 8350, Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

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.

Authorized but Unissued Bonds.....

Following the issuance of the Bonds, the District will have the following authorizations remaining: \$56,200,000 for roads, and refunding of same, \$105,895,000 for waterworks, wastewater, and drainage facilities, and refunding of same (after issuance of the Bonds), and \$22,935,000 for parks and recreational facilities, and refunding of same. See "THE BONDS - Issuance of Additional Debt." The District has issued its \$11,680,000 Bond Anticipation Note, Series 2021 (the "BAN") to finance additional components of the Utility System. The District will retire the BAN with a portion of the proceeds of the sale of the Bonds. In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM"), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "FUTURE DEVELOPMENT."

Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Ratings	S&P Global Ratings (AGM Insured) “AA” (stable outlook). Moody’s Investors Services, Inc. (AGM Insured) “A1” (stable outlook). Moody’s Investors Services, Inc. (Underlying) “Baa2” (stable outlook). See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”
Bond Counsel.....	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Not Qualified Tax-Exempt Obligations.....	The Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

THE DISTRICT

Description.....	The District, a political subdivision of the State of Texas, was created by a special act of the 81st Texas Legislature, effective May 27, 2009, now codified as Chapter 8350 Special District Local Laws Code (“Chapter 8350”). The District contains approximately 978.56 acres of land, including two tracts of land aggregating approximately 200.29 acres that were annexed into the District on May 1, 2019. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located north of Interstate Highway I-10, west of the Grand Parkway, and north of the City of Katy. The southern tract of the District is bounded by Clay Road to the south and Porter Road to the east. The northern portion of the District is bounded by Beckendorff Road to the north, Porter Road to the East and is bisected by Katy Hockley Cut Off Road. The District lies within the Katy Independent School District. See THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”
Authority.....	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 and Article III Section 52 of the Constitution of the State of Texas, Chapter 8350, and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”
Developers, Development of the District And Home Construction	As of June 1, 2022, the District contained 3,142 homes, including 318 homes under construction. See “Builders.” According to the District's Engineer, underground water

distribution, wastewater collection, and storm drainage facilities, detention facilities and street paving have been completed to serve 3,160 single-family residential lots located in King Crossing, Sections 1 through 11, Katy Manor, Sections 1 through 8, Katy Pointe, Sections 1 through 5, Katy Crossing, Sections 1 through 8, Marisol, Sections 1 through 3, and Katy Manor South, Sections 1 through 5 (approximately 902.80 total acres) in the District as is delineated in the chart that appears in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.”

The developers of King Crossing located within the District, Beazer Homes Texas, L.P. (“Beazer Homes”) and Pulte Homes of Texas, L.P. (“Pulte”) (described under the caption “DEVELOPERS”), have completed the development of 898 single-family residential lots that have been subdivided as King Crossing, Sections 1 through 11. Beazer Homes and Pulte paid equal amounts for undivided interests in the land that has been developed as King Crossing, Sections 1 through 11. As the development of such single-family residential lots has been undertaken, Beazer Homes and Pulte have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Beazer Homes and Pulte has taken title to one-half of such fully-developed single-family residential lots for home building purposes.

In addition, Beazer Homes owns approximately 45.91 acres of land located within the District on which it has completed the development of a total of 262 single-family residential lots that have been subdivided as Marisol, Sections 1 through 3. Beazer Homes owns no additional land located within the District.

The developer of Katy Manor located within the District, KB Home Lone Star, Inc. (“KB”) (described under the caption “DEVELOPERS”), has completed the development of 835 single-family residential lots that have been subdivided as Katy Manor, Sections 1 through 8 and Katy Manor South, Sections 1 through 5. KB owns approximately 31.55 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential development.

The developer of Katy Pointe located within the District, Telephone Investments, Inc., a Texas Corporation (“Telephone”) (described under the caption “DEVELOPERS”), has completed the development of 459 single-family residential lots that have been subdivided as Katy Pointe, Sections 1 through 5. Katy Point Investments, LLC, a Texas Limited Liability Company (“KPI”) that is related to Telephone (described under the caption “DEVELOPERS”) has constructed an approximately 6,613 square foot convenience store on approximately 1.40 acres

located within the District. In addition, KPI has completed the construction of two 20,000 square foot buildings of a shopping center on approximately 2.60 acres. Telephone owns approximately 26.96 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development.

The developers of Katy Crossing located within the District, Pulte and Lennar Homes of Texas Land and Construction, Ltd. dba Friendswood Development Company (“Lennar”) (described under the caption “DEVELOPERS”), have completed the development of 706 single-family residential lots that have been subdivided as Katy Crossing, Sections 1 through 8. Pulte and Lennar paid equal amounts for undivided interests in the land that is being developed as Katy Crossing. As the development of such single-family residential lots has been undertaken, Pulte and Lennar have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Pulte and Lennar has taken title to one-half of such fully-developed single-family residential lots for home building purposes. Pulte and Lennar own approximately 3.09 acres of currently undeveloped land located within the District that are available for future development.

There are approximately 66.60 acres of currently undeveloped land located within the District which are available for future development. Approximately 31.55 of such acres are owned by KB, approximately 26.96 of such acres are owned by Telephone, approximately 3.09 of such acres are owned by Pulte and Lennar, and approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken.

The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur. The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPERS,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2021 Taxpayers.”

In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS -

Use and Distribution of Bond Proceeds,” “THE ROAD SYSTEM” and “THE UTILITY SYSTEM”), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “FUTURE DEVELOPMENT.”

Builders.....

According to Telephone, Meritage Homes and K. Hovnanian Homes are currently constructing homes in Katy Pointe which range in size from approximately 1,400 to 2,898 square feet of living area and in sales price from approximately \$347,770 to \$489,080.

According to KB, it is currently constructing homes in Katy Manor South which range in size from approximately 1,491 to 3,028 square feet of living area and in sales price from approximately \$322,995 to \$399,995.

According to Beazer Homes, it is currently constructing homes in Marisol which range in size from approximately 1,579 to 2,074 square feet of living area and in sales price from approximately \$324,778 to \$380,936.

Meritage Homes, K. Hovnanian Homes, KB and Beazer Homes (collectively, the “Builders”) may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

Infectious Disease Outbreak (COVID-19).....

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to 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.

There are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. 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 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.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Assessed Valuation	\$ 555,863,648 (a)
(As of January 1, 2021)	
See "TAX DATA" and "TAXING PROCEDURES"	
2022 Preliminary Valuation.....	\$ 813,578,201 (b)
(As of January 1, 2022)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at June 1, 2022	\$ 852,465,750 (c)
(As of June 1, 2022)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Bonds (as of 9/2/22).....	\$ 63,615,000
The Bonds	<u>20,110,000</u>
Total	\$ 83,725,000 (d)
Estimated Overlapping Debt	\$ <u>24,689,054</u>
Total Direct and Estimated Overlapping Debt	\$ <u>108,414,054</u>
Direct Debt Ratios	
: as a percentage of 2021 Assessed Valuation.....	15.06 %
: as a percentage of 2022 Preliminary Valuation.....	10.29 %
: as a percentage of Estimated Valuation at June 1, 2022	9.82 %
Direct and Overlapping Debt Ratios	
: as a percentage of 2021 Assessed Valuation.....	19.50 %
: as a percentage of 2022 Preliminary Valuation.....	13.33 %
: as a percentage of Estimated Valuation at June 1, 2022	12.72 %
Utility System Debt Service Fund Balance as of July 6, 2022	\$ 6,332,323 (e)
Road System Debt Service Fund Balance as of July 6, 2022	\$ 271,771 (e)
General Fund Balance as of July 6, 2022	\$ 8,731,156
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax – Utility System and Parks	\$ 0.70
Debt Service Tax – Road System.....	\$ 0.05
Maintenance Tax	<u>0.69</u>
Total	\$ 1.44 (f)
Average Percentage of Total Tax Collections (2014-2020) as of June 30, 2022.....	99.94 %
Percentage of Tax Collections 2021 Levy as of June 30, 2022	98.65 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2052)	\$ 4,418,867
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2024)	\$ 4,474,555

Combined Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2023-2052) at 95% Tax Collections

Based Upon 2021 Assessed Valuation.....	\$	0.84
Based Upon 2022 Preliminary Valuation.....	\$	0.58
Based Upon Estimated Valuation at June 1, 2022	\$	0.55

Combined Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2024) at 95% Tax Collections

Based Upon 2021 Assessed Valuation.....	\$	0.85
Based Upon 2022 Preliminary Valuation.....	\$	0.58
Based Upon Estimated Valuation at June 1, 2022	\$	0.56

Number of Single Family Residences (including 318 homes under construction) 3,142

- (a) As of January 1, 2021, and comprises the District's 2021 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2022, as reflected on the District's preliminary 2022 tax roll supplied to the District by the Appraisal District for informational purposes only, and includes the preliminary 2022 values resulting from the construction of taxable improvements from January 1, 2021, through December 31, 2021. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2021 taxable value of personal property located within the District. The taxable value of personal property on the District's 2021 tax roll was \$3,215,538. The District's ultimate 2022 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2022. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2022, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2021, through May 31, 2022. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2021, through December 31, 2021, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2022 tax roll, which will be based on the valuation of District property as of January 1, 2022. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2022, through May 31, 2022, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2023 tax roll, which will be based on the valuation of District property as of January 1, 2023.
- (d) In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM"), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE UTILITY SYSTEM" "THE ROAD SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund or the Road System Debt Service Fund. Such fund balances reflect the timely payment by the District of the entirety its debt service payments that were due on March 1, 2022, on the Outstanding Bonds. The Utility System Debt Service Fund is not pledged to the portion of the Outstanding Bonds issued for the Road System, and the Road System Debt Service Fund is not pledged to the portion of the Outstanding Bonds issued for the Utility System or recreational facilities. See “THE BONDS – Source of Payment” herein. The District’s initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on March 1, 2023.
- (f) The Outstanding Bonds and the Bonds are payable from the proceeds of separate annual ad valorem taxes as to the Utility System and the Road System, without legal limitation as to rate or amount, levied against all taxable property located within the District. The District levied a debt service tax for the Utility System and parks in the amount of \$0.70 per \$100 of Assessed Valuation for 2021, a debt service tax for the Road System in the amount of \$0.05 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.69 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District, plus the 2021 tax of the District is \$3.476836 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

\$20,110,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 495
UNLIMITED TAX BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 495 (the “District”) of its \$20,110,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapter 8350 Special District Local Laws Code, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, an election held within the District (see “THE BONDS - Authority for Issuance”), an order of the TCEQ, and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds.

The Bonds are dated September 1, 2022. Interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover page hereof, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. An aggregate of \$4,490,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024 through 2033, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$15,620,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2035, 2037, 2039, 2042, 2048 and 2052 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”).

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

Payment Record

The Bonds are the sixth series of bonds issued by the District to finance water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the “Utility System”). The District has previously issued Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”), Unlimited Tax Bonds, Series 2018 (the “Series

2018 Bonds”), Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds”), Unlimited Tax Bonds, Series 2020 (the “Series 2020 Bonds”) and Unlimited Tax Bonds, Series 2021A (the “Series 2021A Bonds”) for the purpose of acquiring and constructing the Utility System to serve the District. The District has previously issued Unlimited Tax Park Bonds, Series 2020A (the “Series 2020A Park Bonds”) for the purpose of acquiring and constructing recreational facilities to serve the District. The District also has previously issued Unlimited Tax Road Bonds, Series 2021 (the “Series 2021 Road Bonds”) for the purpose of construction of a road system (the “Road System”) to serve the District. All of such previously issued bonds of the District are hereinafter referred to as the “Prior Bonds.” The District has timely paid all payments on the Prior Bonds when due. Before the issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District was \$63,615,000 (collectively, the “Outstanding Bonds”), and after the issuance of the Bonds, the total of the District’s direct bonded indebtedness owing, consisting of the Outstanding Bonds and the Bonds, will be \$83,725,000.

Book-Entry-Only System

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries.

Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers and Exchanges

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

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2035, 2037, 2039, 2042, 2048 and 2052 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below).

\$1,040,000 Term Bonds Maturing on September 1, 2035	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2034	\$515,000
September 1, 2035 (maturity)	525,000

\$1,090,000 Term Bonds Maturing on September 1, 2037	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2036	\$540,000
September 1, 2037 (maturity)	550,000

\$1,145,000 Term Bonds Maturing on September 1, 2039	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2038	\$565,000
September 1, 2039 (maturity)	580,000

\$1,820,000 Term Bonds Maturing on September 1, 2042
Mandatory Redemption Dates **Principal Amount**

September 1, 2040	\$595,000
September 1, 2041	605,000
September 1, 2042 (maturity)	620,000

\$4,090,000 Term Bonds Maturing on September 1, 2048
Mandatory Redemption Dates **Principal Amount**

September 1, 2043	\$640,000
September 1, 2044	655,000
September 1, 2045	670,000
September 1, 2046	690,000
September 1, 2047	710,000
September 1, 2048 (maturity)	725,000

\$6,435,000 Term Bonds Maturing on September 1, 2052
Mandatory Redemption Dates **Principal Amount**

September 1, 2049	745,000
September 1, 2050	765,000
September 1, 2051	790,000
September 1, 2052 (maturity)	4,135,000

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

Optional Redemption

The District reserves the right, at its option, to redeem the outstanding amounts of the Bonds, including the Term Bonds, maturing on and after September 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be optionally redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK- ENTRY-ONLY SYSTEM." If fewer than all of the Term Bonds of a maturity are to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts of such maturity to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Resolution.

Effects of Redemption

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Replacement of Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

Authority for Issuance

At an election held within the District on May 10, 2014, voters of the District authorized a total of \$189,000,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "Utility System"), and refunding of same. The Bonds constitute the sixth issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapter 8350, Special District Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended, and an order of the TCEQ.

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.

Source of Payment

The Outstanding Bonds and the Bonds are payable from the proceeds of separate annual ad valorem taxes as to the Utility System and the Road System, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Utility System Debt Service Fund (defined below) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System and recreational facilities, and on additional Utility System and recreational facilities bonds payable from taxes which may hereafter be issued, and Registrar fees.

Bonds issued for the Road System and the Utility System are each supported by a separate unlimited tax levied by the District. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System and recreational facilities, including the Bonds. Amounts on deposit in the District's debt service fund established for bonds issued for the Utility System and recreational facilities (the "Utility System Debt Service Fund") may not be used to pay debt service on bonds issued for the Road System.

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

Funds

The Bond Resolution confirms the District's fund for debt service on the Bonds, the Outstanding Bonds issued for the Utility System and recreational facilities, and any additional unlimited tax bonds issued by the District for the Utility System and recreational facilities (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District for the Utility System and recreational facilities, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Utility System and recreational facilities payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Utility System and recreational facilities payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System and recreational facilities, including the Bonds. Similarly, amounts on deposit in the District's Utility System Debt Service Fund may not be used to pay debt service on bonds issued for the Road System.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, as applicable, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$189,000,000 unlimited tax bonds for construction of the Utility System, and refunding of same, and could authorize additional amounts. Following the issuance of the Bonds, \$105,895,000 unlimited tax bonds remain authorized but unissued for construction of the Utility System, and refunding of same. The District's voters have authorized the issuance \$58,000,000 in unlimited tax bonds for roads and refunding of same, and could authorize additional amounts. \$56,200,000 unlimited tax bonds for construction of the Road System and refunding of same remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ, as applicable.) The District has issued its \$11,680,000 Bond Anticipation Note, Series 2021 (the "BAN") to finance additional components of the Utility System. The District will retire the BAN with a portion of the proceeds of the sale of the Bonds. In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM"), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and "FUTURE DEVELOPMENT."

Based on present engineering cost estimates and on development plans supplied by the Developers (hereinafter defined), in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), the \$105,895,000 authorized but unissued bonds for water, sewer and drainage facilities and refunding of same will be adequate to finance the extension of water, wastewater and storm drainage/detention facilities and services to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE UTILITY SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park plan and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District 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 but not three percent of the value of the taxable property in the District. On May 10, 2014, the District authorized \$24,000,000

in bonds for parks and recreational facilities and refunding of same. The Series 2020A Park Bonds were issued from such authorization. \$22,935,000 in unlimited tax bonds for parks and recreational facilities and refunding of same remain authorized but unissued.

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

No Arbitrage

The District certifies 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 fact 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.

Annexation

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

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

Strategic Partnership

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

Consolidation

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

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution 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 Resolution into the Road System Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, 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 observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution 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. Even if 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. See "Bankruptcy Limitation to Registered Owners' Rights" below.

Bankruptcy Limitation to Registered Owners' Rights

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

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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 Resolution 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.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s costs associated with the construction and acquisition of Water Supply Plant No. 2, Phase 1; Water Supply Plant No. 2, Phase 2; Wastewater Treatment Plant No. 1, Phase 4; Wastewater Treatment Plant No. 2, Phase 2; detention facilities to serve Raven Meadows (Marisol) and Katy Manor South, Phase 1; and water, wastewater and drainage facilities serving Katy Pointe, Sections 3 through 5, Katy Manor, Sections 6 and 8, Katy Crossing, Sections 6 through 8; Marisol, Sections 1 through 3; and Katy Manor South, Section 1; (ii) finance certain land acquisition costs for Harris County Flood Control District, Phase 1 channel, Katy Manor South lift station and Katy Manor South, Phase 1 detention ponds; (iii) pay interest on advances made to or on behalf of the District; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, a fee to the TCEQ, engineering fees, material testing fees and stormwater pollution prevention plans, and certain financing costs related to the issuance of the BAN (defined below) and the Bonds. The District will also retire its \$11,680,000 Bond Anticipation Note, Series 2021 (the “BAN”), with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds.

Construction Costs

District Share

A. Developer Contribution Items

1. Katy Pointe, Section 3 Wastewater, Sewer and Drainage	\$	438,936
2. Katy Pointe, Section 4 Wastewater, Sewer and Drainage		807,853
3. Katy Pointe, Section 5 Wastewater, Sewer and Drainage		719,251
4. Katy Manor, Section 6 Wastewater, Sewer and Drainage		317,753
5. Katy Manor, Section 8 Wastewater, Sewer and Drainage		663,235
6. Katy Manor South, Phase 1 Detention		1,141,131
7. Katy Manor South, Section 1 Wastewater, Sewer and Drainage		564,384
8. Katy Crossing, Section 6 Wastewater, Sewer and Drainage		362,095
9. Katy Crossing, Section 7 Wastewater, Sewer and Drainage		515,335
10. Katy Crossing, Section 8 Wastewater, Sewer and Drainage		829,317
11. Marisol, Section 1 Wastewater, Sewer and Drainage		1,071,310
12. Marisol, Section 2 Wastewater, Sewer and Drainage		572,515
13. Marisol, Section 3 Wastewater, Sewer and Drainage		406,192
14. Engineering and Testing		1,627,862
15. Materials Testing		277,058
16. Stormwater Pollution Prevention Plans		<u>446,446</u>
 Total Developer Contribution Items	 \$	 <u>10,760,673</u>

B. District Items		
1. Water Supply Plant No. 2, Phase 1	\$	1,810,982
2. Wastewater Treatment Plant No. 1, Phase 4		782,937
3. Wastewater Treatment Plant No. 2, Phase 2		467,297
4. Water Supply Plant No. 2, Phase 2		1,341,827
5. Engineering		765,273
6. Material Testing		52,412
7. Stormwater Pollution Prevention Plans		2,647
8. Material Testing and Stormwater Pollution Prevention Plans		6,709
9. Contingencies		121,232
10. Land Costs		
a. HCFCF Phase 1		1,290,824
b. Katy Manor South Lift Station		17,202
c. Katy Manor South, Phase 1 Detention Ponds		<u>841,276</u>
 Total District Items	 \$	 <u>7,500,618</u>
 SUBTOTAL CONSTRUCTION COSTS	 \$	 18,261,291
 Less Use of Surplus Funds		 <u>(1,073,481)</u>
 NET TOTAL CONSTRUCTION COSTS	 \$	 17,187,810
 <u>Non-Construction Costs</u>		
1. Legal Fees	\$	416,650
2. Financial Advisor Fees		351,100
3. Interest		
A. Developer Interest (a)		808,961
B. Bond Anticipation Note Interest		292,000
4. Bond Discount		602,443
5. Bond Anticipation Note Issuance Costs		271,578
6. Bond Issuance Expenses		48,826
7. Bond Application Report Costs		70,000
8. TCEQ Bond Issuance Fee		50,275
9. Attorney General Fee		9,500
10. Contingency (b)		<u>857</u>
 TOTAL NON-CONSTRUCTION COSTS	 \$	 <u>2,922,190</u>
 TOTAL BOND ISSUE REQUIREMENT	 \$	 <u>20,110,000</u>

(a) Represents interest owed to the Developers on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developers have borrowed funds.

(b) The TCEQ directed that any surplus funds resulting from the sale of Bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to the TCEQ rules.

THE DISTRICT

Authority

The District, a political subdivision of the State of Texas, was created by a special act of the 81st Texas Legislature, effective May 27, 2009, now codified as Chapter 8350 of the Texas Special District Local Laws Code ("Chapter 8350"). The District operates pursuant to Chapter 8350, Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water and the provision of parks and recreational facilities. The District is also empowered to construct, acquire, improve, maintain, or operate roads and improvements in aid thereof. The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Houston for creation of the District, within whose extraterritorial jurisdiction the District lies, the District has agreed to observe certain City requirements. These requirements, among others, limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, recreational facilities and roads, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of District construction plans.

Description

The District contains approximately 978.56 acres of land, including two tracts of land aggregating approximately 200.29 acres that were annexed into the District on May 1, 2019. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located north of Interstate Highway I-10, west of the Grand Parkway, and north of the City of Katy. The southern tract of the District is bounded by Clay Road to the south and Porter Road to the east. The northern portion of the District is bounded by Beckendorff Road to the north, Porter Road to the East and is bisected by Katy Hockley Cut Off Road. The District lies within the Katy Independent School District. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. All of the Directors own property in the District.

The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Martin Burns	President	2024
Kenneth Whitmore	Vice President	2026
Mackenzie Osborne	Assistant Vice President	2026
Justin Marcum	Secretary	2024
Tony Bonaventure	Assistant Secretary	2026

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

Tax Assessor/Collector

The District's Tax Assessor/Collector is Assessments of the Southwest, Inc. According to Assessments of the Southwest, Inc., its employees serve as tax assessor/collector for approximately 204 taxing jurisdictions. 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 bookkeeper is Myrtle Cruz, Inc. Such firm acts as bookkeeper for approximately 359 utility districts.

Utility System Operator

The District's operator is Municipal District Services, L.L.C., which serves as operator for approximately 72 utility districts.

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. The District's current auditor is McGrath & Co., PLLC, Certified Public Accountants, Houston, Texas. A copy of the District's audit for the fiscal year ended February 28, 2022, which was prepared by McGrath & Co., PLLC, is included as "APPENDIX B" to this Official Statement.

Engineer

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

Disclosure Counsel

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

Bond Counsel

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor

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

DEVELOPMENT AND HOME CONSTRUCTION

As of June 1, 2022, the District contained 3,142 homes, including 318 homes under construction. See “BUILDERS.” According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage facilities, detention facilities and street paving have been completed to serve 3,160 single-family residential lots located in King Crossing, Sections 1 through 11, Katy Manor, Sections 1 through 8, Katy Pointe, Sections 1 through 5, Katy Crossing, Sections 1 through 8, Marisol, Sections 1 through 3, and Katy Manor South, Sections 1 through 5 (approximately 902.80 total acres) in the District as is delineated in the chart that appears below.

The developers of King Crossing located within the District, Beazer Homes Texas, L.P. (“Beazer Homes”) and Pulte Homes of Texas, L.P. (“Pulte”) (described under the caption “DEVELOPERS”), have completed the development of 898 single-family residential lots that have been subdivided as King Crossing, Sections 1 through 11. Beazer Homes and Pulte paid equal amounts for undivided interests in the land that has been developed as King Crossing, Sections 1 through 11. As the development of such single-family residential lots has been undertaken, Beazer Homes and Pulte have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Beazer Homes and Pulte has taken title to one-half of such fully-developed single-family residential lots for home building purposes.

In addition, Beazer Homes owns approximately 45.91 acres of land located within the District on which it has completed the development of a total of 262 single-family residential lots that have been subdivided as Marisol, Sections 1 through 3. Beazer Homes owns no additional land located within the District.

The developer of Katy Manor located within the District, KB Home Lone Star, Inc. (“KB”) (described under the caption “DEVELOPERS”), has completed the development of 835 single-family residential lots that have been subdivided as Katy Manor, Sections 1 through 8 and Katy Manor South, Sections 1 through 5. KB owns approximately 31.55 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential development.

The developer of Katy Pointe located within the District, Telephone Investments, Inc., a Texas Corporation (“Telephone”) (described under the caption “DEVELOPERS”), has completed the development of 459 single-family residential lots that have been subdivided as Katy Pointe, Sections 1 through 5. Katy Point Investments, LLC, a Texas Limited Liability Company (“KPI”) that is related to Telephone (described under the caption “DEVELOPERS”) has constructed an approximately 6,613 square foot convenience store on approximately 1.40 acres located within the District. In addition, KPI has completed the construction of two 20,000 square foot buildings of a shopping center on approximately 2.60 acres. Telephone owns approximately 26.96 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development.

The developers of Katy Crossing located within the District, Pulte and Lennar Homes of Texas Land and Construction, Ltd. dba Friendswood Development Company (“Lennar”) (described under the caption “DEVELOPERS”), have completed the development of 706 single-family residential lots that have been subdivided as Katy Crossing, Sections 1 through 8. Pulte and Lennar paid equal amounts for undivided interests in the land that is being developed as Katy Crossing. As the development of such single-family residential lots has been undertaken, Pulte and Lennar have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Pulte and Lennar has taken title to one-half of such fully-developed single-family residential lots for home building purposes. Pulte and Lennar own approximately 3.09 acres of currently undeveloped land located within the District that are available for future development.

There are approximately 66.60 acres of currently undeveloped land located within the District which are available for future development. Approximately 31.55 of such acres are owned by KB, approximately 26.96 of such acres are owned by Telephone, approximately 3.09 of such acres are owned by Pulte and Lennar, and approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken.

The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur. The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPERS,” “FUTURE DEVELOPMENT” and “TAX DATA - Principal 2021 Taxpayers.”

In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE ROAD SYSTEM” and “THE UTILITY SYSTEM”), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt” and “FUTURE DEVELOPMENT.”

As of June 1, 2022, the status of lot development and home construction in the District was as follows:

<u>Subdivision</u>	<u>LOTS</u>				<u>HOMES</u>				<u>Totals</u>
	<u>Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u>		<u>Completed</u>		
					<u>Sold*</u>	<u>Unsold</u>	<u>Sold*</u>	<u>Unsold</u>	
King Crossing									
Section 1	42	14.58			0	0	42	0	42
Section 2	79	29.34			0	0	79	0	79
Section 3	67	17.30			0	0	67	0	67
Section 4	49	11.59			0	0	49	0	49
Section 5	59	18.38			0	0	59	0	59
Section 6	87	25.02			0	0	87	0	87
Section 7	85	31.26			0	0	85	0	85
Section 8	112	80.85			0	0	112	0	112
Section 9	97	26.54			0	0	97	0	97
Section 10	118	40.93			0	0	118	0	118
Section 11	103	24.13			0	0	103	0	103
Katy Manor									
Section 1	8	2.80			0	0	8	0	8
Section 2	69	13.56			0	0	69	0	69
Section 3	28	7.69			0	0	28	0	28
Section 4	29	7.69			0	0	29	0	29
Section 5	85	19.44			0	0	85	0	85
Section 6	66	12.39			0	0	66	0	66
Section 7	79	24.73			0	0	79	0	79
Section 8	136	27.40			0	0	136	0	136
Katy Pointe									
Section 1	110	39.50			0	0	107	2	109
Section 2	96	32.62			0	0	96	0	96
Section 3	73	18.38			0	0	71	2	73
Section 4	91	17.67			0	0	91	0	91
Section 5	89	17.05			58	14	0	0	72
Katy Crossing									
Section 1	142	41.19			0	0	142	0	142
Section 2	53	11.61			0	0	53	0	53
Section 3	93	15.45			0	0	93	0	93
Section 4	72	25.33			0	0	72	0	72
Section 5	66	15.40			0	0	66	0	66
Section 6	64	12.29			0	0	64	0	64
Section 7	94	15.80			0	0	94	0	94
Section 8	122	34.66			0	0	122	0	122
Marisol									
Section 1	109	31.87			21	1	86	1	109
Section 2	78	14.04			4	0	74	0	78
Section 3	75	12.58			58	0	17	0	75
Katy Manor South									
Section 1	83	38.96			0	0	76	7	83
Section 2	90	33.26			0	0	88	2	90
Section 3	58	12.48			55	3	0	0	58
Section 4	73	19.09			66	7	0	0	73
Section 5	31	7.95			1	30	0	0	31
TOTALS	3,160	902.80			263	55	2,810	14	3,142

* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval and inspection. See "BUILDERS."

DEVELOPERS

General

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 emplaced 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, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the municipal utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Prior Bonds and the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its orders authorizing the District to issue the Prior Bonds and the Bonds. 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 the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

Description of the Developers

The developers of King Crossing located within the District, Beazer Homes Texas, L.P. ("Beazer Homes") and Pulte Homes of Texas, L.P. ("Pulte"), have completed the development of 898 single-family residential lots that have been subdivided as King Crossing, Sections 1 through 11. Beazer Homes and Pulte paid equal amounts for undivided interests in the land that has been developed as King Crossing, Sections 1 through 11. As the development of such single-family residential lots has been undertaken, Beazer Homes and Pulte have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Beazer Homes and Pulte has taken title to one-half of such fully-developed single-family residential lots for home building purposes.

In addition, Beazer Homes owns approximately 45.91 acres of land located within the District on which it has completed the development of a total of 262 single-family residential lots that have been subdivided as Marisol, Sections 1 through 3. Beazer Homes owns no additional land located within the District.

The developer of Katy Manor located within the District, KB Home Lone Star, Inc. ("KB"), has completed the development of 835 single-family residential lots that have been subdivided as Katy Manor, Sections 1 through 8 and Katy Manor South, Sections 1 through 5. KB owns approximately 31.55 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential development.

The developer of Katy Pointe located within the District, Telephone Investments, Inc., a Texas Corporation ("Telephone"), has completed the development of 459 single-family residential lots that have been subdivided as Katy Pointe, Sections 1 through 5. Katy Point Investments, LLC, a Texas Limited Liability Company ("KPI") that is related to Telephone has constructed an approximately 6,613 square foot convenience store on approximately 1.40 acres located within the District. In addition, KPI has completed the construction two 20,000 square foot buildings of a shopping center on approximately 2.60 acres. Telephone owns approximately 26.96 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development.

The developers of Katy Crossing located within the District, Pulte and Lennar Homes of Texas Land and Construction, Ltd. dba Friendswood Development Company (“Lennar”), have completed the development of 706 single-family residential lots that have been subdivided as Katy Crossing, Sections 1 through 8. Pulte and Lennar paid equal amounts for undivided interests in the land that is being developed as Katy Crossing. As the development of such single-family residential lots has been undertaken, Pulte and Lennar have each paid one-half of the costs of the development thereof. As the development of each section of single-family lots has been completed, each of Pulte and Lennar has taken title to one-half of such fully-developed single-family residential lots for home building purposes. Pulte and Lennar own approximately 3.09 acres of currently undeveloped land located within the District that are available for future development.

BUILDERS

According to Telephone, Meritage Homes and K. Hovnanian Homes are currently constructing homes in Katy Pointe which range in size from approximately 1,400 to 2,898 square feet of living area and in sales price from approximately \$347,770 to \$489,080.

According to KB, it is currently constructing homes in Katy Manor South which range in size from approximately 1,491 to 3,028 square feet of living area and in sales price from approximately \$322,995 to \$399,995.

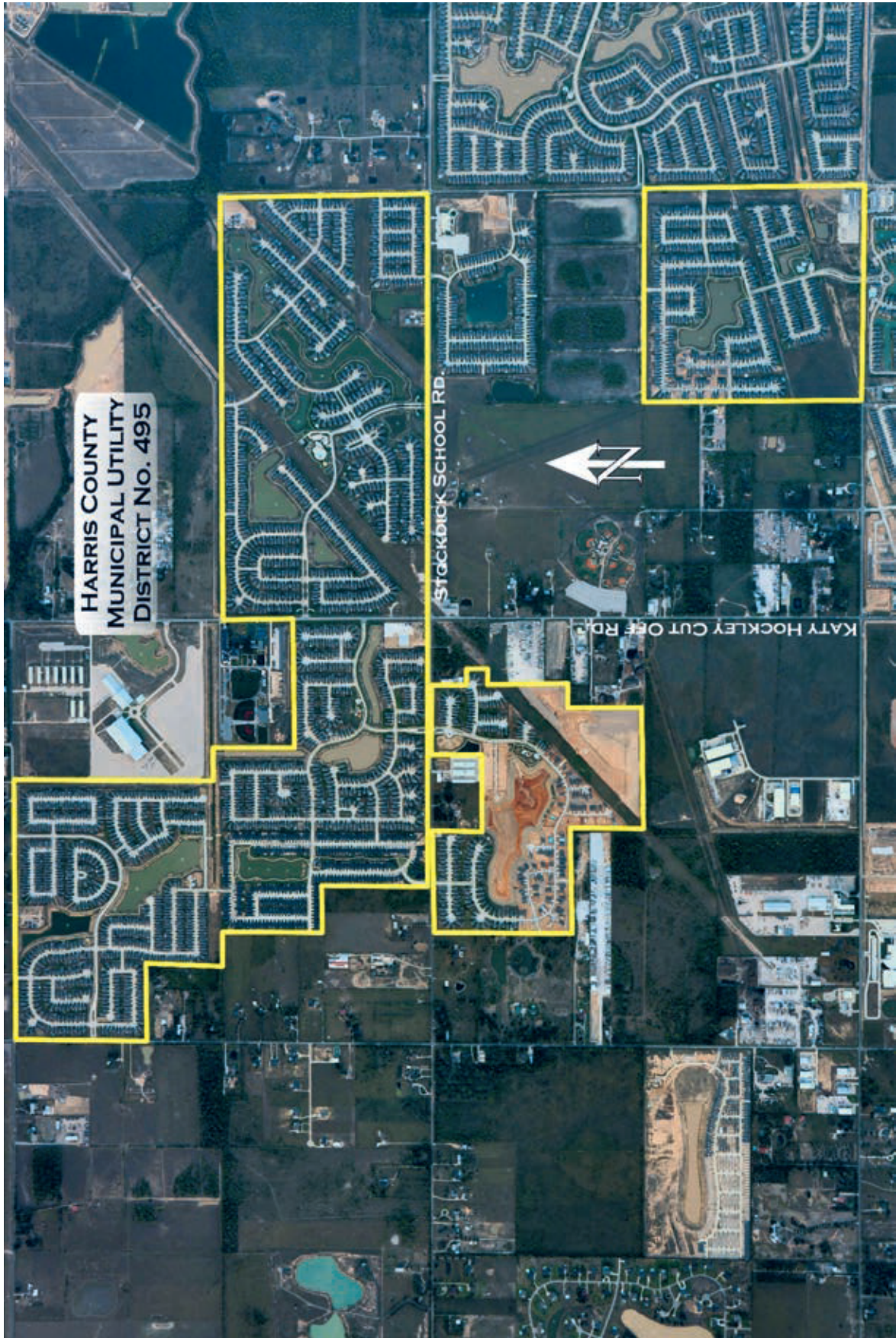
According to Beazer Homes, it is currently constructing homes in Marisol which range in size from approximately 1,579 to 2,074 square feet of living area and in sales price from approximately \$324,778 to \$380,936.

Meritage Homes, K. Hovnanian Homes, KB and Beazer (collectively, the “Builders”) may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

FUTURE DEVELOPMENT

As is described above under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” approximately 902.80 acres of the total of approximately 978.56 acres of land located within the District have been developed into 3,160 single-family residential lots, the development of which is complete. KB owns approximately 31.55 acres of currently undeveloped land located within the District that available for future development, all of which it expects to be utilized for future single-family residential development. Telephone owns approximately 26.96 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future single-family residential, multi-family residential and commercial development. Pulte and Lennar own approximately 3.09 acres of currently undeveloped land located within the District that available for future development. Approximately 5 acres of undeveloped land located within the District are owned by a party that has not reported any definitive development plan to the District, and thus the District cannot represent when, or whether the development thereof might be undertaken. The balance of the land located in the District is contained within easements, rights-of-way, detention ponds, or are otherwise not available for future development. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPERS” and “TAX DATA - Principal 2021 Taxpayers.” Since no party, including Pulte, Lennar, KB or Telephone is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$105,895,000 authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District as described below under the caption “THE UTILITY SYSTEM.” In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE ROAD SYSTEM” and “THE UTILITY SYSTEM”), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken August 2022)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2022)**



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken July 2022)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Year	Outstanding Bonds	The Bonds		Total Debt Service Requirements
		Principal (Due 9-1)	Interest	
2022	\$3,116,120			\$3,116,120
2023	3,223,143		\$797,251	4,020,394
2024	3,230,243	\$385,000	859,313	4,474,555
2025	3,223,993	405,000	836,213	4,465,205
2026	3,219,718	420,000	811,913	4,451,630
2027	3,223,724	440,000	786,713	4,450,436
2028	3,230,974	445,000	764,713	4,440,686
2029	3,235,736	455,000	746,913	4,437,649
2030	3,247,816	465,000	728,713	4,441,529
2031	3,253,366	480,000	710,113	4,443,479
2032	3,256,304	490,000	690,913	4,437,216
2033	3,266,966	505,000	671,313	4,443,279
2034	3,275,906	515,000*	651,113	4,442,019
2035	3,287,159	525,000*	630,513	4,442,671
2036	3,290,770	540,000*	609,513	4,440,283
2037	3,306,400	550,000*	587,913	4,444,313
2038	3,309,569	565,000*	565,913	4,440,481
2039	3,314,919	580,000*	543,313	4,438,231
2040	3,326,831	595,000*	520,113	4,441,944
2041	3,340,656	605,000*	496,313	4,441,969
2042	3,346,794	620,000*	472,113	4,438,906
2043	3,355,288	640,000*	447,313	4,442,600
2044	3,361,013	655,000*	420,113	4,436,125
2045	3,373,413	670,000*	392,275	4,435,688
2046	3,377,738	690,000*	363,800	4,431,538
2047	3,388,569	710,000*	334,475	4,433,044
2048	3,401,113	725,000*	304,300	4,430,413
2049	3,410,181	745,000*	273,488	4,428,669
2050	3,416,163	765,000*	241,825	4,422,988
2051	3,318,013	790,000*	209,313	4,317,325
2052		4,135,000*	175,738	4,310,738
	\$98,928,598	\$20,110,000	\$16,643,538	\$135,682,123

* Represents mandatory sinking fund payments on Term Bonds.

Average Annual Requirements (2023-2052)	\$ 4,418,867
Maximum Annual Requirement (2024)	\$ 4,474,555

Bonded Indebtedness

2021 Assessed Valuation	\$ 555,863,648 (a)
(As of January 1, 2021)	
See "TAX DATA" and "TAXING PROCEDURES"	
2022 Preliminary Valuation.....	\$ 813,578,201 (b)
(As of January 1, 2022)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation at June 1, 2022	\$ 852,465,750 (c)
(As of June 1, 2022)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Bonds (as of 9/2/22).....	\$ 63,615,000
The Bonds	<u>20,110,000</u>
Total	\$ 83,725,000 (d)
Estimated Overlapping Debt	\$ <u>24,689,054</u>
Total Direct and Estimated Overlapping Debt	\$ <u>108,414,054</u>
Direct Debt Ratios	
: as a percentage of 2021 Assessed Valuation.....	15.06 %
: as a percentage of 2022 Preliminary Valuation.....	10.29 %
: as a percentage of Estimated Valuation at June 1, 2022	9.82 %
Direct and Overlapping Debt Ratios	
: as a percentage of 2021 Assessed Valuation.....	19.50 %
: as a percentage of 2022 Preliminary Valuation.....	13.33 %
: as a percentage of Estimated Valuation at June 1, 2022	12.72 %
Utility System Debt Service Fund Balance as of July 6, 2022	\$ 6,332,323 (e)
Road System Debt Service Fund Balance as of July 6, 2022	\$ 271,771 (e)
General Fund Balance as of July 6, 2022	\$ 8,731,156
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax – Utility System and Parks	\$ 0.70
Debt Service Tax – Road System.....	\$ 0.05
Maintenance Tax	<u>0.69</u>
Total	\$ 1.44 (f)

(a) As of January 1, 2021, and comprises the District's 2021 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2022, as reflected on the District's preliminary 2022 tax roll supplied to the District by the Appraisal District for informational purposes only, and includes the preliminary 2022 values

resulting from the construction of taxable improvements from January 1, 2021, through December 31, 2021. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2021 taxable value of personal property located within the District. The taxable value of personal property on the District's 2021 tax roll was \$3,215,538. The District's ultimate 2022 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2022. See "TAXING PROCEDURES."

- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of June 1, 2022, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2021, through May 31, 2022. The ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2021, through December 31, 2021, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2022 tax roll, which will be based on the valuation of District property as of January 1, 2022. Moreover, the ultimate assessed valuation of such additions to the District's tax roll resulting from development and construction activity from January 1, 2022, through May 31, 2022, may vary significantly from this estimate when the Appraisal Review Board certifies the valuation of District property for the purpose of determining the District's 2023 tax roll, which will be based on the valuation of District property as of January 1, 2023.
- (d) In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM"), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE UTILITY SYSTEM" "THE ROAD SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund or the Road System Debt Service Fund. Such fund balances reflect the timely payment by the District of the entirety its debt service payments that were due on March 1, 2022, on the Outstanding Bonds. The Utility System Debt Service Fund is not pledged to the portion of the Outstanding Bonds issued for the Road System, and the Road System Debt Service Fund is not pledged to the portion of the Outstanding Bonds issued for the Utility System or recreational facilities. See "THE BONDS – Source of Payment" herein. The District's initial debt service payment on the Bonds, consisting of an interest payment thereon, is due on March 1, 2023.
- (f) The Outstanding Bonds and the Bonds are payable from the proceeds of separate annual ad valorem taxes as to the Utility System and the Road System, without legal limitation as to rate or amount, levied against all taxable property located within the District. The District levied a debt service tax for the Utility System and parks in the amount of \$0.70 per \$100 of Assessed Valuation, a debt service tax for the Road System in the amount of \$0.05 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.69 per \$100 of Assessed Valuation for 2021. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District, plus the 2021 tax of the District is \$3.476836 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of June 1, 2022</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County	\$1,682,992,125	0.10663%	\$1,794,563
Harris County Department of Education	20,185,000	0.10663%	21,523
Harris County Flood Control District	584,900,000	0.10663%	623,675
Harris County Hospital District	76,385,000	0.10663%	81,449
Port of Houston Authority	469,434,397	0.10663%	500,555
Katy Independent School District	1,874,321,367	1.15601%	<u>21,667,289</u>
Total Estimated Overlapping Debt			\$ 24,689,054
The District (the Bonds and the Outstanding Bonds)			<u>\$ 83,725,000</u>
Total Direct & Estimated Overlapping Debt			\$ 108,414,054

Debt Ratios

	<u>% of 2021 Assessed Valuation</u>	<u>% of 2022 Preliminary Valuation</u>	<u>% of Estimated Valuation at June 1, 2022</u>
Direct Debt	15.06%	10.29%	9.82%
Direct and Estimated Overlapping Debt	19.50%	13.33%	12.72%

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. The District levied a debt service tax of \$0.70 per \$100 of Assessed Valuation for payment of bonds issued by the District for the Utility System and a debt service tax of \$0.05 per \$100 of Assessed Valuation for payment of bonds issued by the District for the Road System in 2021 as is described below under the caption "Tax Rate Distribution." The District is authorized to levy separate debt service taxes, both of which are unlimited as to rate or amount, for the payment of debt service on bonds issued for the Utility System and bonds issued for the Road System.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Utility System Maintenance:	\$1.50 per \$100 Assessed Valuation.
Road System Maintenance:	\$0.25 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On May 10, 2014, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.50 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.69 per \$100 of Assessed Valuation for 2021.

On May 10, 2014, the District voters authorized the levy of a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation for the purpose of maintaining roads in the District. As of the date hereof, the District has not levied a road maintenance tax. Such tax would be levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any parity bonds which may be issued in the future and the maintenance tax described above.

Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years (b)</u>	<u>Year Ending 9/30</u>
2014	\$77,656	\$1.50	\$107,482	100.00%	2015
2015	9,395,091	1.50	181,270	100.00%	2016
2016	51,246,667	1.50	784,055	100.00%	2017
2017	107,915,052	1.50	1,652,887	100.00%	2018
2018	205,511,694	1.50	3,114,769	99.99%	2019
2019	312,426,331	1.50	4,716,423	99.84%	2020
2020	424,759,747	1.50	6,371,396	99.72%	2021
2021	555,863,648	1.44(c)	8,004,437	98.65% (d)	2022

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through June 30, 2022. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) The District levied a debt service tax for the Utility System and parks in the amount of \$0.70 per \$100 of Assessed Valuation, a debt service tax for the Road System in the amount of \$0.05 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.69 per \$100 of Assessed Valuation for 2021.

(d) As of June 30, 2022. In process of collection.

Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Utility System Debt Service	\$0.70	\$0.74	\$0.82	\$1.00	\$0.89
Road System Debt Service	0.05	0.00	0.00	0.00	0.00
Maintenance & Operations	<u>0.69</u>	<u>0.76</u>	<u>0.68</u>	<u>0.50</u>	<u>0.61</u>
Total	\$1.44	\$1.50	\$1.50	\$1.50	\$1.50

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$127,238,540	22.89%	\$111,196,319	26.18%	\$88,858,201	28.44%
Improvements	438,013,667	78.80%	319,228,108	75.15%	226,933,052	72.64%
Personal Property	4,862,577	0.87%	4,051,332	0.95%	2,790,682	0.89%
Exemptions	<u>-14,251,136</u>	<u>-2.56%</u>	<u>-9,716,012</u>	<u>-2.29%</u>	<u>-6,155,604</u>	<u>-1.97%</u>
Total	\$555,863,648	100.00%	\$424,759,747	100.00%	\$312,426,331	100.00%

<u>Type of Property</u>	<u>2018</u>		<u>2017</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$68,491,339	33.33%	\$40,497,886	37.53%
Improvements	138,933,701	67.60%	69,763,385	64.65%
Personal Property	1,269,309	0.62%	124,663	0.12%
Exemptions	<u>-3,182,655</u>	<u>-1.61%</u>	<u>-2,470,882</u>	<u>-2.29%</u>
Total	\$205,511,694	100.00%	\$107,915,052	100.00%

Principal 2021 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2021. The information reflects the composition of property ownership reflected on the District's 2021 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2021 Tax Roll</u>	<u>% of 2021 Tax Roll</u>
KB Home Lone Star, Inc.	Land and Improvements	\$8,067,841	1.45%
Telephone Investments, Inc.	Land	\$4,852,317	0.87%
Beazer Homes Texas LP	Land and Improvements	\$3,867,576	0.70%
Lennar Homes of Texas Land & Construction, Ltd.	Land and Improvements	\$3,209,359	0.58%
Meritage Homes of Texas, LLC	Land and Improvements	\$2,728,432	0.49%
Katy Point Investments, LLC	Land	\$2,109,525	0.38%
Pulte Homes of Texas	Land and Improvements	\$1,821,693	0.33%
DRP TX 1 LLC	Land and Improvements	\$1,811,379	0.33%
Centerpoint Energy	Utilities	\$1,749,170	0.31%
Katy Homes LLC	Land and Improvements	<u>\$1,109,002</u>	<u>0.20%</u>
		\$31,326,294	5.64%

Tax Exemption

Certain property in the District may be exempt from taxation. See "TAXING PROCEDURES." The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2021 Assessed Valuation, 2022 Preliminary Valuation or the Estimated Valuation at June 1, 2022. The calculations assume collection of 95% of taxes levied, no use of District funds on hand other than tax collections, and the sale of no bonds by the District except the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2023-2052)	\$4,418,867
Combined Tax Rate of \$0.84 on the 2021 Assessed Valuation (\$555,863,648) produces	\$4,435,792
Combined Tax Rate of \$0.58 on the 2022 Preliminary Valuation (\$813,578,201) produces	\$4,482,816
Combined Tax Rate of \$0.55 on the Estimated Valuation at June 1, 2022 (\$852,465,750) produces	\$4,454,134
 Maximum Annual Debt Service Requirement (2024)	 \$4,474,555
Combined Tax Rate of \$0.85 on the 2021 Assessed Valuation (\$555,863,648) produces	\$4,488,599
Combined Tax Rate of \$0.58 on the 2022 Preliminary Valuation (\$813,578,201) produces	\$4,482,816
Combined Tax Rate of \$0.56 on the Estimated Valuation at June 1, 2022 (\$852,465,750) produces	\$4,535,118

The District levied a Utility System debt service tax in the amount of \$0.70 per \$100 of Assessed Valuation, a Road System debt service tax of \$0.05 per \$100 of Assessed Valuation and a maintenance tax of \$0.69. Thus the 2021 combined debt service tax rate is \$0.75 per \$100 of Assessed Valuation. As the above table indicates, the 2021 combined debt service tax rate will be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2022 Preliminary Valuation or the Estimated Valuation at June 1, 2022, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," the District had collected an average of 99.94% of its 2014 through 2020 tax levies as of June 30, 2022, and its 2021 tax levy was 98.65% collected as of such date. Moreover, the District's Utility System Debt Service Fund balance was \$6,332,323 as of July 6, 2022. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Utility System Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - FINANCIAL REPORT"). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the combined debt service rate which the District has levied for 2021 - \$0.75 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and

the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds,” “THE ROAD SYSTEM” and “THE UTILITY SYSTEM”), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE UTILITY SYSTEM,” “THE ROAD SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

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 the 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 an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2021 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate Per \$100 of A.V.</u>
Harris County	\$0.376930
Harris Department of Education	0.004990
Harris County Flood Control District	0.033490
Harris County Hospital District	0.162210
Port of Houston Authority	0.008720
Katy Independent School District	1.351700
Waller-Harris Counties Emergency Services District No. 200	0.098796
The District (i)	<u>1.440000</u>
	<u>\$3.476836</u>

(i) The District has levied a Utility System debt service tax rate of \$0.70 per \$100 of Assessed Valuation, a Road System debt service tax rate of \$0.05 per \$100 of Assessed Valuation and a maintenance tax rate of \$0.69 per \$100 of Assessed Valuation for 2021.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding 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 Resolution to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the Utility System and for the payment of certain contractual obligations. See "TAX DATA - Maintenance Tax" and - "Tax Rate Distribution."

Property Tax Code and County-wide Appraisal District

Title I 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 here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State 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 the 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 Property 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 pro rated 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.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 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 certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of

a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount to be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not granted a general residential homestead exemption for 2022. See "TAX DATA - Exemptions."

Freeport Goods 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 personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the land within the District), Harris 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 the terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. 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 Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals 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 to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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 (such as the District) may appeal the orders of the Appraisal Review Boards by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 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 Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, 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 continues to accrue during the period of deferral.

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 on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to

determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2022 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area, and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each local 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 (see "TAX DATA - Estimated Overlapping Taxes"). 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 applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

THE UTILITY SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the Utility System must be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The TCEQ exercises continuing supervisory authority over the District. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, and, in some instances, the TCEQ and the U.S. Army Corps of Engineers. Harris County and the City also exercise regulatory jurisdiction over the District's System. The regulations and requirements of the entities exercising regulatory jurisdiction over the Utility System are subject to further development and revisions, which, in turn, could require additional expenditures by the District in order to achieve compliance. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 978.56 acres is 3,245 with a total estimated population of 6,831 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

As is described below, the Utility System presently serves the single-family residential lots located in the District that are enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District financed certain of its costs of construction or acquisition of Water Plant No. 1; waterline interconnect; wastewater treatment plant site work, phase 1; access road and drainage improvements for wastewater treatment plant, phase 1; wastewater treatment plant discharge permit; construction costs associated with wastewater treatment plant, phase 2, wastewater treatment plant phase 1, King Crossing Ponds A through G and outfall channel; King Crossing Ponds A through G erosion rehabilitation; King Crossing lift station No. 1; a portion of the costs associated with Katy Manor Detention Ponds; water well No. 2 and water plant No. 1 expansion, wastewater treatment plant phase III, King Crossing lift station No. 2; Katy Manor lift station, 12 inch waterline extension to serve Katy Manor; Katy Pointe lift station; water and drainage for Porter Road extension, detention facilities to serve Katy Manor; Phase I detention facilities to serve Katy Pointe; Katy Crossing Lift Station, and water, wastewater and drainage facilities serving King Crossing Sections 1 through 11, Katy Pointe, Section 1, Katy Crossing, Section 1 and Katy Manor, Sections 1 through 5; Wastewater Treatment Plant No. 2, Phase 1; a portion of Katy Crossing lift station; Phase 2 detention facilities to serve Katy Pointe; the remaining portions of Katy Manor, Section 5 and Katy Crossing, Section 1; Harris County Flood Control District Channel U101-11-00, Phases 1 and 2; Phase 2 detention Facilities to serve Katy Crossing; Katy Manor

South Sanitary Sewer lift station; detention facilities to serve Raven Meadows (Marisol); revisions to the Katy Pointe Master Drainage Plan and the Katy Crossing Drainage Report; fault studies for Harris County Flood Control District Channel U101-11-00, Phases 1 and 2; and water, wastewater and drainage facilities serving Katy Pointe, Section 2, Katy Manor, Section 7, and Katy Crossing, Sections 2 through 5; and other items to serve the land within the District with the sale of the Prior Bonds. In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM"), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt" and "FUTURE DEVELOPMENT."

Water Supply

Water supply facilities for the District and Harris County Municipal Utility District No. 538 ("MUD 538") are provided by the District's water plant. The water plant facilities presently include water wells aggregating 2,300 gallons per minute ("gpm"), 70,000 gallons of pressure tank capacity, 820,000 gallons of ground storage tank capacity and 6,500 gpm of booster pump capacity. According to the District's Engineer, the water plant is presently capable of serving 3,500 equivalent single family connections (ESFCs).

The District and MUD 538 have entered into a cost sharing agreement (the "Water Plant Cost Sharing Agreement") regarding joint use and cost-sharing of the water plant facilities that are owned by the District. It is anticipated that future expansions and improvements to the joint water plant facilities will be necessary to serve both districts. The capacity and the costs of the joint water plant are shared by both districts on a pro-rata basis, as more fully set forth in the Water Plant Cost Sharing Agreement.

Pursuant to the Water Plant Cost Sharing Agreement, the current capacity of the water plant is allocated 69.77% to the District, which is sufficient to serve 2,442 ESFCs, and 30.23% to MUD 538, which is sufficient to serve 1,058 ESFCs.

The District has water supply interconnect agreements with Harris County Municipal Utility District No. 536 ("MUD 536") and Harris County Municipal Utility District No. 449 ("MUD 449"), which agreements allow water supply service between the parties on an emergency basis.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The 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 and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District'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 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, a fee 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 2035 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: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand within the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. The District has not made improvements to the System to allow for conversion to surface water and has not been advised by the Authority of a date the Authority plans to provide surface water to 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

Wastewater Treatment

Wastewater treatment facilities to serve the District and MUD 538 include a 900,000 gallon per day ("gpd") interim wastewater treatment plant ("WWTP No.1"), which has been constructed in phases. The District currently leases the interim wastewater treatment plant from AUC Group, L.P. ("AUC"). The plant became operational in May 2016 and was expanded in August 2017 and again in December 2018 for a total current capacity of 600,000 gpd. The District and MUD 538 have entered into a wastewater capacity cost sharing agreement (the "WWTP Cost Sharing Agreement") regarding joint use and cost-sharing of the wastewater treatment plant. The capacity and the costs of the wastewater treatment plant are shared by both districts on a pro-rata basis, as more fully set forth in the WWTP Cost Sharing Agreement. Pursuant to the lease agreements between the District and AUC, the District is obligated to make lease payments to AUC for a 60-month term of each phase. These lease payments, and capacity in the interim wastewater treatment plant, will be shared between the District and MUD 538 in accordance with the WWTP Cost Sharing Agreement. The current total lease payment is \$28,800 per month (\$11,700 for first phase; \$4,350 for second phase; and \$12,750 for third phase). The District has the option to purchase the leased facilities in accordance with the purchase schedule provided in the lease agreements. If the purchase option is not exercised, the lease payment will be reduced to \$23,350 per month (\$9,400 for first phase; \$3,800 for second phase; and \$10,150 for third phase) after each of the 60-month terms have been completed. Title to the applicable leased facilities will be conveyed to the District when such leased facility is fully amortized.

The fourth and final phase of WWTP No. 1 has been completed and has increased the capacity of the plant to 900,000 gpd. According to the District's Engineer, the 900,000 gpd wastewater treatment plant is designed to provide service to approximately 3,500 ESFCs based upon design criteria of 250 gpd per ESFC. Pursuant to the WWTP Cost Sharing Agreement, the capacity of the 600,000 gpd wastewater treatment plant was allocated 84.40% to the District, which is sufficient to serve 1,688 ESFCs and 15.60% to MUD 538, which is sufficient to serve 312 ESFCs. The capacity of the current 900,000 gpd wastewater treatment plant is allocated 70.00% to the District, which is sufficient to serve 2,450 ESFCs and 30.00% to MUD 538, which is sufficient to serve 1,050 ESFCs.

In addition, the District has constructed a second leased wastewater treatment plant (“WWTP No. 2”), which is not subject to the current WWTP Cost Sharing Agreement with MUD 538. Instead, the capacity is shared among the Developers within the District. WWTP No. 2 provides 210,000 gpd of wastewater treatment capacity. Pursuant to the lease agreement for WWTP No. 2 between the District and AUC, the District will be obligated to make lease payments to AUC for a 60-month term in the amount of \$18,000 per month. The District has the option to purchase the leased facilities in accordance with the purchase schedule provided in the lease agreements. If the purchase option is not exercised, the lease payment will be reduced to \$14,500 per month after the 60-month term have been completed. Title to the leased facilities will be conveyed to the District when the leased facilities are fully amortized.

The second phase of WWTP No. 2 has been completed and has increased the capacity of the plant to 420,000 gpd. According to the District’s Engineer, the 420,000 gpd wastewater treatment plant is designed to provide service to approximately 1,400 ESFCs based upon design criteria of 300 gpd per ESFC, which is sufficient to serve the current construction plans of the Developers.

Storm Drainage

Areas that have been developed within the District include storm water collection facilities that eventually outfall into South Mayde Creek.

King Crossing

According to the District’s Engineer, underground storm sewer facilities to serve Sections 1 through 11 have been constructed. The system drains to detention ponds which ultimately drain into an offsite drainage channel that outfalls into South Mayde Creek.

Katy Manor

According to the District's Engineer, underground storm sewer facilities to serve Sections 1 through 8 have been constructed. The system drains to detention ponds which ultimately drain into a drainage channel that outfalls into South Mayde Creek.

Katy Pointe

According to the District's Engineer, the drainage and detention facilities to serve Sections 1 through 5 have been constructed. The outfall drainage channel serving Katy Pointe connects to an existing South Mayde Creek Tributary, which will ultimately enable the ponds to drain into South Mayde Creek. See “DEVELOPMENT AND HOME CONSTRUCTION.”

Katy Crossing

According to the District's Engineer, underground storm sewer facilities to serve Sections 1 through 8 have been constructed. The system drains to detention ponds which ultimately drain into a drainage channel that outfalls into South Mayde Creek.

Marisol

According to the District's Engineer, drainage and detention facilities to serve Sections 1 through 3 have been constructed. The system drains to detention ponds which ultimately drain into a drainage channel that outfalls into South Mayde Creek.

Katy Manor South

According to the District's Engineer, drainage and detention facilities to serve Sections 1 through 5 have been constructed. The system drains to the Katy Manor drainage system which ultimately drain into a drainage channel that outfalls into South Mayde Creek.

100-Year Flood Plain

According to the District's Engineer, there is developed land located inside the District within the effective floodplain as shown on the Flood Insurance Rate Maps for Harris County, Texas, Nos. 48201CO580M and 48201CO585M, that became official on November 15, 2019. These maps were in the preliminary stage while the District was being developed so all of the land was constructed outside of the effective floodplain by placement of fill above the flood plain elevation. Most of the portions of the District that were added to the effective floodplain when the maps became official have been removed via Letter of Map Amendment. The remainder are in the process of being removed via Letter of Map Revisions based on Fill, or a Letter of Map Revision.

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

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

THE ROAD SYSTEM

The Road System is being financed with a portion of the proceeds of the Prior Bonds and additional bonds issued for such purpose. See “THE BONDS – Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS – Future Debt.” Construction of the District's roads is subject to certain regulations by the Harris County, Texas. To date, construction of the Road System includes, but is not limited to the following: all internal roadways within King Crossing and Katy Manor. The Developers, on behalf of the District, have constructed left turn lanes for King Crossing, Katy Pointe, Katy Manor, Katy Crossing and Katy Manor South to date. They have also constructed a half mile long, half boulevard roadway extension of Porter Road along the King Crossing subdivision. The internal roadway systems for the subdivisions of Katy Pointe, Katy Crossing, Marisol and Katy Manor South are only partially constructed to date. The roads constructed within the District have been accepted by Harris County for maintenance. The roads located within the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Further fluctuation in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see “Potential Effects of Oil Price Fluctuations on the Houston Area” below). Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although the development to the date hereof is as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” “DEVELOPERS” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See “FUTURE DEVELOPMENT.”

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although the development to the date hereof is as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” “DEVELOPERS” and “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See “FUTURE DEVELOPMENT.” The District cannot predict what impact, if any, a downturn in the local housing and financial markets or a downturn in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 31 miles west of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and

regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District's property tax base.

Developer/Builder/Landowner Obligation to the District: The developer and a Builder of Katy Manor within the District is KB Home Lone Star, Inc. ("KB Home"). KB Home is currently the District's largest taxpayer. KB Home currently owns undeveloped acreage, developed lots and homes under construction the 2021 Assessed Valuation of which is \$8,067,841, or approximately 1.45% of the District's 2021 tax roll. The developer of Katy Pointe within the District is Telephone Investments, Inc. ("Telephone"). Telephone is currently the District's second largest taxpayer. Telephone currently owns undeveloped acreage and developed lots the 2021 Assessed Valuation of which is \$4,852,317, or approximately 0.87% of the District's 2021 tax roll. One of the developers and a Builder of Marisol within the District is Beazer Homes Texas, L.P. ("Beazer Homes"). Beazer Homes is currently the District's third largest taxpayer. Beazer Homes currently owns undeveloped acreage, developed lots and homes under construction the 2021 Assessed Valuation of which is \$3,867,576, or approximately 0.70% of the District's 2021 tax roll. One of the developers of Katy Crossing within the District is Lennar Homes of Texas Land and Construction, Ltd. ("Lennar") dba Friendswood Development Corporation ("Friendswood"). Lennar is currently the District's fourth largest taxpayer. Lennar owns currently undeveloped acreage, developed lots and homes under construction the 2021 Assessed Valuation of which is \$3,209,359, or approximately 0.58% of the District's 2021 tax roll. See "DEVELOPMENT AND HOME CONSTRUCTION," "DEVELOPERS," "BUILDERS" and "TAX DATA - Principal 2021 Taxpayers." The ability of Beazer Homes, KB Home, Telephone, and Lennar (see "DEVELOPERS") or any other principal taxpayer within the District to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of Pulte, Telephone, and Lennar or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See "FUTURE DEVELOPMENT."

Beazer Homes, KB Home Telephone, and Lennar are wholly dependent on sales of lots within the District, and/or advances or capital contributions from related entities to satisfy their tax obligations on property owned by Pulte, KB Home, Telephone, and Lennar in the District. Without these sources of funds Beazer Homes, KB Home, Telephone, and Lennar would not be able to satisfy their respective tax obligations to the District and other taxing authorities. Only Beazer Homes, KB Home, Telephone, Lennar and other owners of property located in the District are legally responsible for payment of ad valorem taxes to the District and other taxing authorities.

Maximum Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$4,474,555 (2024) and the average annual debt service requirements will be \$4,418,867 (2023 through 2052, inclusive). The 2021 Assessed Valuation of property located within the District supplied by the Appraisal District is \$555,863,648. Assuming no increase to nor decrease from the 2021 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, combined tax rates of \$0.85 and \$0.84 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. The 2022 Preliminary Valuation of property located within the District supplied by the Appraisal District is \$813,578,201. Assuming no increase to nor decrease from the 2022 Preliminary Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, a combined tax rate of \$0.58 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds. The Estimated Valuation at June 1, 2022, of property located within the District supplied by the Appraisal

District is \$852,465,750. Assuming no increase to nor decrease from the Estimated Valuation at June 1, 2022, no use of funds on hand, and the issuance of no additional bonds by the District, combined tax rates of \$0.56 and \$0.55 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. See "TAX DATA - Tax Rate Calculations." The District has levied a Utility System debt service tax of \$0.70 per \$100 of Assessed Valuation, a Road System debt service tax of \$0.05 per \$100 of Assessed Valuation and a maintenance tax of \$0.69 per \$100 of Assessed Valuation for 2021. Thus, the combined debt service tax for 2021 is \$0.75 per \$100 of Assessed Valuation. Therefore, the a 2021 combined debt service tax rate will be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2022 Preliminary Valuation or the Estimated Valuation at June 1, 2022, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District. See "TAXING PROCEDURES." In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," the District had collected an average of 99.94% of its 2014 through 2020 tax levies as of June 30, 2022, and its 2021 tax levy was 98.65% collected as of such date. Moreover, the District's Utility System Debt Service Fund balance was \$6,332,323 as of July 6, 2022. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in either Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Utility System Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - FINANCIAL REPORT"). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the combined debt service rate which the District has levied for 2021 - \$0.75 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM"), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE UTILITY SYSTEM," "THE ROAD SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District, plus the 2021 tax of the District is \$3.476836 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Increases in the District's tax rate to substantially higher levels than the total rate of \$1.44 per \$100 of Assessed Valuation that the District has levied for 2021 may have an adverse impact upon future development of the District, the construction of homes 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. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes" and "TAXING PROCEDURES."

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes," "TAXING PROCEDURES."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the bond Resolution may not be reduced to a judgment for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

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

The District reserves in the Bond Resolution the right to issue the remaining \$105,895,000 in unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing waterworks, wastewater and drainage facilities and refunding of same, the \$56,200,000 for the purpose of acquiring and constructing roads and refunding of same, the \$22,935,000 for parks and recreational facilities and refunding of same, and such additional bonds as may hereafter be approved by the voters of the District. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$105,895,000 in bonds for waterworks, wastewater and drainage facilities and \$22,935,000 for parks and recreational facilities is subject to TCEQ approval. Further, the principal amount of parks and recreational facilities bonds issued by the District may not exceed one percent 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 but not three percent of the value of the taxable property in the District. In addition to the components of the Utility System, Road System and recreational facilities that the District financed with the sale of the Prior Bonds and the components of the Utility System that the District is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM"), the District expects to finance the acquisition or construction of additional components of the Utility System, Road System and recreational facilities with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and "FUTURE DEVELOPMENT."

The District's Engineer currently estimates that the aforementioned \$105,895,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities and refunding of same, to provide service to all of the currently undeveloped portions of the District. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Builders or any future home builder(s) will be continued or completed. The respective competitive positions of the Developers and the Builders and any other developer(s) or home builder(s) which might attempt future development or home building projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section. Such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

The Bond Resolution 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."

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 does not pass upon or guarantee the security of the Bonds as an investment, or the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification

that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date,

the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

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 of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. 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.

Extreme Weather Events

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

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

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.

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.

Changes in Tax Legislation

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

Infectious Disease Outbreak (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to 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.

There are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. 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 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.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Fluctuations the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil industry will have on property values in the District.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal 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 under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "TAX MATTERS."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority" and - "Bond Counsel," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein, and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by the appropriate officers of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments on interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and taxpayers otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current

published procedures the Service is likely to treat the District as the taxpayer and the Owners may not have a right to participate in such audit. 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 the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The initial offering price of certain of the Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, under existing law, (a) the difference between (i) the principal amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of an owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds and should be considered in connection with the discussion in this portion of the Official Statement.) The foregoing discussion assumes, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

The federal income tax consequences of the purchase, ownership, and redemption, sale, or other disposition of Original Issue Discount Bonds that 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 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.

Not Qualified Tax-Exempt Obligations

The Bonds are **not** "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code.

NO MATERIAL ADVERSE CHANGE

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

OFFICIAL STATEMENT

General

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

The District's financial statements for the fiscal year ended February 28, 2022, were audited by McGrath & Co., PLLC, and have been included herein as "APPENDIX B."

Experts

The information contained in the Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT," "THE ROAD SYSTEM" and "THE UTILITY SYSTEM" has been provided by LJA Engineering, Inc. 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 "DISTRICT DEBT" and "TAX DATA" was provided by Assessments of the Southwest, Inc., and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest, Inc.'s authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in 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, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

The District's current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all

or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations 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 the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule 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 Resolution if the SEC amends or repeals the applicable provisions of such Rule 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 so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

Since the issuance of its first series of bonds in 2017, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

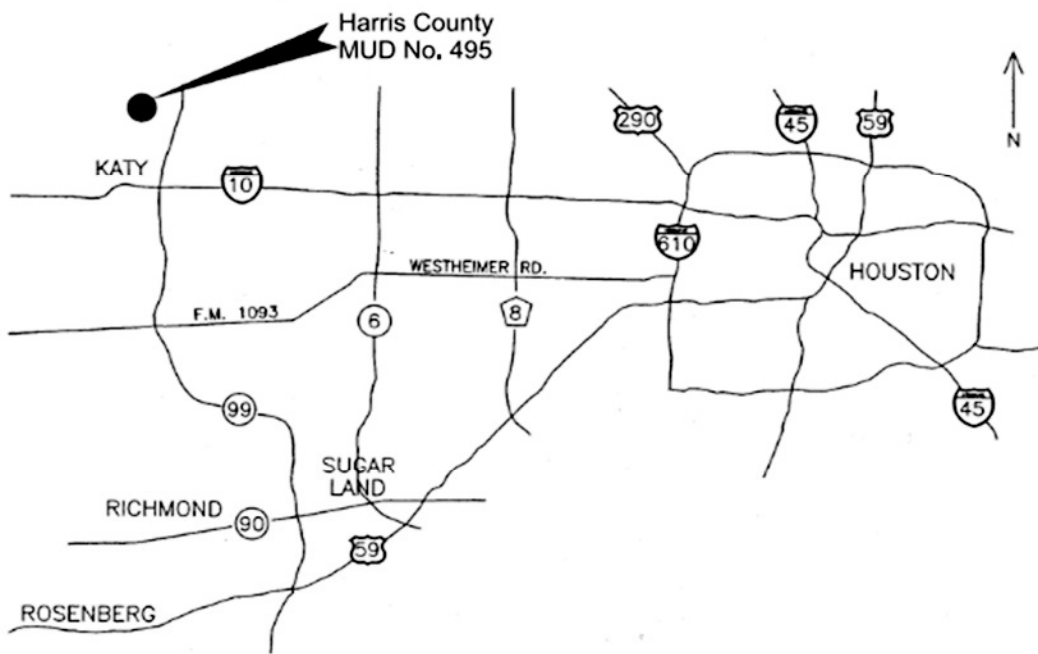
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 495 as of the date shown on the first page hereof.

/s/ Martin Burns
President, Board of Directors
Harris County Municipal
Utility District No. 495

ATTEST:

/s/ Justin Marcum
Secretary, Board of Directors
Harris County Municipal
Utility District No. 495

APPENDIX A
LOCATION MAP



APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 495

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

FEBRUARY 28, 2022

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 495**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

February 28, 2022

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		18
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		20
Notes to Financial Statements		23
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		46
Budgetary Comparison Schedule – Joint Water Plant Fund		47
Budgetary Comparison Schedule – Joint Wastewater Treatment Plant Fund		48
Notes to Required Supplementary Information		49
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	52
General Fund Expenditures	TSI-2	54
Investments	TSI-3	55
Taxes Levied and Receivable	TSI-4	56
Long-Term Debt Service Requirements by Years	TSI-5	57
Change in Long-Term Bonded Debt	TSI-6	66
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	68
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	70
Board Members, Key Personnel and Consultants	TSI-8	72

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 495
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 495 (the "District"), as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 495, as of February 28, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Harris County Municipal Utility District No. 495
Harris County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGuire & Co, P.C.

Houston, Texas
July 6, 2022

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Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 495 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at February 28, 2022, was negative \$8,927,245. This amount is negative because the District incurs debt to construct public roads which it conveys to Harris County. A comparative summary of the District's overall financial position, as of February 28, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	\$ 21,425,338	\$ 16,711,297
Capital assets	71,011,623	60,057,057
Total assets	<u>92,436,961</u>	<u>76,768,354</u>
Current liabilities	16,448,766	13,300,916
Long-term liabilities	84,915,440	73,729,696
Total liabilities	<u>101,364,206</u>	<u>87,030,612</u>
Net position		
Net investment in capital assets	(17,408,607)	(14,008,745)
Restricted	6,723,696	5,041,261
Unrestricted	1,757,666	(1,294,774)
Total net position	<u>\$ (8,927,245)</u>	<u>\$ (10,262,258)</u>

***Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022***

The total net position of the District increased during the current fiscal year by \$1,335,013. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2022</u>	<u>2021</u>
Revenues		
Water and sewer service	\$ 1,959,334	\$ 1,532,648
Property taxes, penalties and interest	8,163,078	6,864,289
Other	3,481,863	2,919,896
Total revenues	<u>13,604,275</u>	<u>11,316,833</u>
Expenses		
Current service operations	6,439,984	5,827,636
Debt interest and fees	1,932,357	1,642,925
Developer interest	778,148	537,387
Debt issuance costs	1,598,360	1,318,874
Depreciation	1,520,413	1,275,811
Total expenses	<u>12,269,262</u>	<u>10,602,633</u>
Change in net position before other item	1,335,013	714,200
Other item		
Transfers to other governments	<u> </u>	<u>(793,835)</u>
Change in net position	1,335,013	(79,635)
Net position, beginning of year	<u>(10,262,258)</u>	<u>(10,182,623)</u>
Net position, end of period	<u>\$ (8,927,245)</u>	<u>\$ (10,262,258)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2022, were \$17,432,978, which consists of \$9,400,025 in the General Fund, \$6,611,996 in the Debt Service Fund, \$1,309,257 in the Capital Projects Fund, and \$111,700 in the Joint Wastewater Treatment Plant Fund.

***Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022***

General Fund

A comparative summary of the General Fund's financial position as of February 28, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 10,398,968	\$ 7,392,200
Total liabilities	\$ 859,421	\$ 930,193
Total deferred inflows	139,522	167,666
Total fund balance	<u>9,400,025</u>	<u>6,294,341</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 10,398,968</u>	<u>\$ 7,392,200</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2022</u>	<u>2021</u>
Total revenues	\$ 7,749,097	\$ 6,350,248
Total expenditures	<u>(4,606,797)</u>	<u>(3,914,195)</u>
Revenues over expenditures	3,142,300	2,436,053
Other changes in fund balance	<u>(36,616)</u>	<u></u>
Net change in fund balance	<u>\$ 3,105,684</u>	<u>\$ 2,436,053</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and Regional Water Authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of February 28, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 6,874,920	\$ 5,196,952
Total liabilities	\$ 77,561	\$ 51,233
Total deferred inflows	185,363	199,658
Total fund balance	<u>6,611,996</u>	<u>4,946,061</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 6,874,920</u>	<u>\$ 5,196,952</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	<u>2022</u>	<u>2021</u>
Total revenues	\$ 4,285,459	\$ 3,322,628
Total expenditures	<u>(2,655,854)</u>	<u>(2,064,057)</u>
Revenues over expenditures	1,629,605	1,258,571
Other changes in fund balance	36,330	
Net change in fund balance	<u>\$ 1,665,935</u>	<u>\$ 1,258,571</u>

The District's financial resources in the Debt Service Fund in the current year are from property tax revenues and capitalized interest from the sale of bonds. During the previous fiscal year, financial resources were from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of February 28, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 3,839,923	\$ 3,914,347
Total liabilities	\$ 2,530,666	\$ 2,771,625
Total fund balance	<u>1,309,257</u>	<u>1,142,722</u>
Total liabilities and fund balance	<u>\$ 3,839,923</u>	<u>\$ 3,914,347</u>

***Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022***

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	<u>2022</u>	<u>2021</u>
Total revenues	\$ 299	\$ 5,228
Total expenditures	<u>(18,369,050)</u>	<u>(13,699,213)</u>
Revenues under expenditures	(18,368,751)	(13,693,985)
Other changes in fund balance	<u>18,535,286</u>	<u>13,817,101</u>
Net change in fund balance	<u>\$ 166,535</u>	<u>\$ 123,116</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2021 Unlimited Tax Road Bonds, Series 2021A Unlimited Tax Bonds and Series 2021 Bond Anticipation Note in the current year and issuance of its Series 2020 Unlimited Tax Bonds, Series 2020A Unlimited Tax Park Bonds and Series 2020 Bond Anticipation Note in the prior year.

Joint Water Plant Fund

The Joint Water Plant Fund is used to account for the operating and maintenance costs of the District's water plant in accordance with the District's Water Plant Cost Sharing Agreement (see Note 7). A comparative summary of the Joint Water Plant Fund's financial position as of February 28, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	<u>\$ 198,906</u>	<u>\$ 122,366</u>
Total liabilities	<u>\$ 198,906</u>	<u>\$ 122,366</u>

A comparative summary of activities for the Joint Water Plant Fund's current and prior fiscal year is as follows:

	<u>2022</u>	<u>2021</u>
Total revenues	\$ 930,757	\$ 665,207
Total expenditures	<u>(930,757)</u>	<u>(665,207)</u>
Revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>

Revenues in the Joint Water Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. Consequently, revenues will equal expenditures each year.

Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022

Joint Wastewater Treatment Plant Fund

The Joint Wastewater Treatment Plant Fund is used to account for the operating and maintenance costs of the District's wastewater treatment plant in accordance with the District's Wastewater Capacity Cost Sharing Agreement (see Note 8). A comparative summary of the Joint Wastewater Treatment Plant Fund's financial position as of February 28, 2022 and 2021 is as follows:

	2022	2021
Total assets	\$ 243,043	\$ 215,854
Total liabilities	\$ 131,343	\$ 120,654
Total fund balance	111,700	95,200
Total liabilities and fund balance	\$ 243,043	\$ 215,854

A comparative summary of activities for the Joint Wastewater Treatment Plant Fund's current and prior fiscal year is as follows:

	2022	2021
Total revenues	\$ 681,102	\$ 730,128
Total expenditures	(664,602)	(692,528)
Revenues over expenditures	\$ 16,500	\$ 37,600

Revenues in the Joint Wastewater Treatment Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services. However, during the current and previous fiscal years the District billed participants for expenditures related to the lease of a temporary wastewater treatment plant recognized as prepaid items. See Note 12 for additional information.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$2,628,701 greater than budgeted. The *Budgetary Comparison Schedule* on page 46 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022***

Capital assets held by the District at February 28, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 16,406,619</u>	<u>\$ 14,578,559</u>
Capital assets being depreciated		
Infrastructure	54,031,175	43,672,330
Landscaping improvements	5,890,235	5,602,161
Park and recreational facilities	504,216	504,216
	<u>60,425,626</u>	<u>49,778,707</u>
Less accumulated depreciation		
Infrastructure	(4,602,117)	(3,401,426)
Landscaping improvements	(1,142,872)	(848,361)
Park and recreational facilities	(75,633)	(50,422)
	<u>(5,820,622)</u>	<u>(4,300,209)</u>
Depreciable capital assets, net	<u>54,605,004</u>	<u>45,478,498</u>
Capital assets, net	<u><u>\$ 71,011,623</u></u>	<u><u>\$ 60,057,057</u></u>

Capital asset additions during the current year include the following:

- Katy Crossing, Section 8 – water, sewer, and drainage facilities
- Katy Manor South, Sections 1 and 2 – water, sewer, and drainage facilities
- Katy Pointe, Sections 4 and 5 – water, sewer, and drainage facilities
- Marisol, Sections 2 and 3 – water, sewer, and drainage facilities
- Katy Pointe, Sections 4 and 5 – landscaping improvements
- Water Plant No. 1, Phase 3 and Water Plant No. 2, Phase 1
- Wastewater Treatment Plant No. 1, Phase 4 and No. 2, Phase 2
- Harris County Flood Control District Phase 1 channel land acquisition
- Katy Manor South lift station land acquisition – 0.223 acres
- Katy Manor South Phase 1 detention ponds – 10.906 acres

Harris County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Additionally, Harris County Flood Control District assumes responsibility for the maintenance of certain drainage facilities constructed within its territory. Consequently, these projects are not recorded as capital assets on the District's financial statements but are recorded as transfers to other governments upon completion of construction.

Long-Term Debt and Related Liabilities

As of February 28, 2022, the District owes approximately \$21,300,440 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note

***Harris County Municipal Utility District No. 495
Management's Discussion and Analysis
February 28, 2022***

9, the District has an additional commitment in the amount of \$5,198,949 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At February 28, 2022 and 2021, the District had total bonded debt outstanding as shown below:

Series	2022	2021
2017	\$ 6,055,000	\$ 6,180,000
2018	15,450,000	15,730,000
2019	15,730,000	16,000,000
2020	10,790,000	10,790,000
2020A Park	1,065,000	1,065,000
2021 Road	1,800,000	
2021A	13,800,000	
	\$ 64,690,000	\$ 49,765,000

During the current year, the District issued \$1,800,000 in unlimited tax road bonds and \$13,800,000 in unlimited tax bonds. At February 28, 2022, the District had \$126,005,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of the same; \$22,935,000 for parks and recreational facilities and refunding of the same; and \$56,200,000 for road improvements and refunding of the same.

During the current year, the District issued a \$11,680,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2022 Actual	2023 Budget
Total revenues	\$ 7,749,097	\$ 6,755,500
Total expenditures	(4,606,797)	(5,466,002)
Revenues over expenditures	3,142,300	1,289,498
Other changes in fund balance	(36,616)	
Net change in fund balance	3,105,684	1,289,498
Beginning fund balance	6,294,341	9,400,025
Ending fund balance	\$ 9,400,025	\$ 10,689,523

Property Taxes

The District's property tax base increased approximately \$254,236,037 for the 2022 tax year from \$556,126,626 to \$810,362,663, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

Basic Financial Statements

Harris County Municipal Utility District No. 495
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Water Plant Fund	Joint Wastewater Treatment Plant Fund
Assets					
Cash	\$ 708,683	\$ 485,363	\$ 3,057,981	\$ 90,291	\$ 76,361
Investments	8,944,249	6,361,544	880,731		
Taxes receivable	139,522	185,363			
Customer service receivables	249,935				
Internal balances	148,512	(157,893)	(98,789)	69,293	38,877
Due from participants				39,322	16,105
Other receivables		543			
Prepaid items	77,645				111,700
Operating reserves					
Joint wastewater treatment plant	59,161				
Joint water plant	71,261				
Capital assets not being depreciated					
Capital assets, net					
Total Assets	\$ 10,398,968	\$ 6,874,920	\$ 3,839,923	\$ 198,906	\$ 243,043
Liabilities					
Accounts payable	\$ 420,592	\$ -	\$ 502,083	\$ 88,906	\$ 39,918
Retainage payable			34,000		
Other payables	5,770	77,561			
Construction advances			1,994,583		
Customer deposits	409,059				
Unearned revenue	14,980				
Operating reserve				110,000	91,425
Builder deposits	9,020				
Accrued interest payable					
Bond anticipation note payable					
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	859,421	77,561	2,530,666	198,906	131,343
Deferred Inflows of Resources					
Deferred property taxes	139,522	185,363			
Fund Balances/Net Position					
Fund Balances					
Nonspendable	208,067				111,700
Restricted		6,611,996	1,309,257		
Unassigned	9,191,958				
Total Fund Balances	9,400,025	6,611,996	1,309,257		111,700
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,398,968	\$ 6,874,920	\$ 3,839,923	\$ 198,906	\$ 243,043
Net Position					
Net investment in capital assets					
Restricted for debt service					
Restricted for other purposes					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 4,418,679	\$ -	\$ 4,418,679
16,186,524		16,186,524
324,885		324,885
249,935		249,935
55,427		55,427
543		543
189,345		189,345
59,161	(59,161)	
71,261	(71,261)	
	16,406,619	16,406,619
	54,605,004	54,605,004
<u>\$ 21,555,760</u>	<u>70,881,201</u>	<u>92,436,961</u>
\$ 1,051,499		1,051,499
34,000		34,000
83,331		83,331
1,994,583		1,994,583
409,059		409,059
14,980		14,980
201,425	(130,422)	71,003
9,020		9,020
	26,291	26,291
	11,680,000	11,680,000
	21,300,440	21,300,440
	1,075,000	1,075,000
	63,615,000	63,615,000
<u>3,797,897</u>	<u>97,566,309</u>	<u>101,364,206</u>
<u>324,885</u>	<u>(324,885)</u>	
319,767	(319,767)	
7,921,253	(7,921,253)	
9,191,958	(9,191,958)	
<u>17,432,978</u>	<u>(17,432,978)</u>	
<u>\$ 21,555,760</u>		
	(17,408,607)	(17,408,607)
	6,611,996	6,611,996
	111,700	111,700
	<u>1,757,666</u>	<u>1,757,666</u>
	<u>\$ (8,927,245)</u>	<u>\$ (8,927,245)</u>

Harris County Municipal Utility District No. 495

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 28, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Water Plant Fund	Joint Wastewater Treatment Plant Fund
Revenues					
Water service	\$ 816,706	\$ -	\$ -	\$ -	\$ -
Sewer service	1,142,628				
Participant billings				930,734	681,086
Property taxes	3,887,116	4,211,178			
Penalties and interest	36,704	70,519			
Regional Water Authority fees	891,978				
Tap connection and inspection	960,298				
Miscellaneous	12,960				
Investment earnings	707	3,762	299	23	16
Total Revenues	7,749,097	4,285,459	299	930,757	681,102
Expenditures/Expenses					
Current service operations					
Purchased services	1,313,413				
Professional fees	235,076	27,930	135,569	3,000	35,055
Contracted services	1,273,557	62,843		25,346	33,883
Repairs and maintenance	928,071			131,180	185,193
Regional Water Authority fees	381,649			728,099	
Utilities	99,780			39,302	57,688
Lease expense	277,500				341,400
Administrative	65,238	10,270		3,830	7,303
Other	32,513	37	1,179		4,080
Capital outlay			15,814,235		
Debt service					
Principal		675,000			
Interest and fees		1,879,774	41,559		
Developer interest			778,148		
Debt issuance costs			1,598,360		
Depreciation					
Total Expenditures/Expenses	4,606,797	2,655,854	18,369,050	930,757	664,602
Revenues Over/(Under)					
Expenditures	3,142,300	1,629,605	(18,368,751)		16,500
Other Financing Sources/(Uses)					
Proceeds from sale of bonds		36,330	15,563,670		
Proceeds from bond anticipation note			11,680,000		
Repayment of bond anticipation note			(8,745,000)		
Internal transfers	(36,616)		36,616		
Net Change in Fund Balances	3,105,684	1,665,935	166,535		16,500
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	6,294,341	4,946,061	1,142,722	-	95,200
End of the period	\$ 9,400,025	\$ 6,611,996	\$ 1,309,257	\$ -	\$ 111,700

See notes to basic financial statements.

Total	Adjustments	Statement of Activities
\$ 816,706	\$ -	\$ 816,706
1,142,628		1,142,628
1,611,820		1,611,820
8,098,294	(44,525)	8,053,769
107,223	2,086	109,309
891,978		891,978
960,298		960,298
12,960		12,960
4,807		4,807
<u>13,646,714</u>	<u>(42,439)</u>	<u>13,604,275</u>
1,313,413		1,313,413
436,630		436,630
1,395,629		1,395,629
1,244,444		1,244,444
1,109,748		1,109,748
196,770		196,770
618,900		618,900
86,641		86,641
37,809		37,809
15,814,235	(15,814,235)	
675,000	(675,000)	
1,921,333	11,024	1,932,357
778,148		778,148
1,598,360		1,598,360
	1,520,413	1,520,413
<u>27,227,060</u>	<u>(14,957,798)</u>	<u>12,269,262</u>
(13,580,346)	13,580,346	
15,600,000	(15,600,000)	
11,680,000	(11,680,000)	
(8,745,000)	8,745,000	
<u>4,954,654</u>	<u>(4,954,654)</u>	
	1,335,013	1,335,013
<u>12,478,324</u>	<u>(22,740,582)</u>	<u>(10,262,258)</u>
<u>\$ 17,432,978</u>	<u>\$ (26,360,223)</u>	<u>\$ (8,927,245)</u>

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 495 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized and created by a special act of the Texas Legislature pursuant to Senate Bill 2455, 2009 Regular Session later codified as Chapter 8350, Special District Local Laws Code and operates in accordance with Section 59, Article XVI and Section 52, Article III, Texas Constitution and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 13, 2014 and the first bonds were issued on May 9, 2017.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage, recreational and road facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has five governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, and drainage facilities, parks and recreational facilities, and road improvements.
- The Joint Water Plant Fund is used to account for costs associated with the operation and maintenance of the District’s water plant in accordance with the Water Plant Cost Sharing Agreement. See Note 7 for additional information.
- The Joint Wastewater Treatment Plant Fund is used to account for costs associated with the operation and maintenance of the District’s wastewater treatment plant in accordance with the Wastewater Capacity Cost Sharing Agreement. See Note 8 for additional information.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At February 28, 2022, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	30-45 years
Landscaping Improvements	20 years

The District’s detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balances consist of prepaid items and operating reserves paid by the District's General Fund to the Joint Water Plant Fund (Note 7) and Joint Wastewater Treatment Plant Fund (Note 8).

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to Harris County and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

*Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022*

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total fund balance, governmental funds		\$ 17,432,978
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 76,832,245	
Less accumulated depreciation	<u>(5,820,622)</u>	
Change due to capital assets		71,011,623
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bond anticipation note payable, net	(11,680,000)	
Interest payable on bonds	(26,291)	
Bonds payable, net	<u>(64,690,000)</u>	
Change due to long-term debt		(76,396,291)
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(21,300,440)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
		324,885
Total net position - governmental activities		<u><u>\$ (8,927,245)</u></u>

*Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022*

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balances - total governmental funds \$ 4,954,654

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. (42,439)

Governmental funds report capital outlays for developer reimbursements and engineering fees as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 15,814,235	
Depreciation expense	(1,520,413)	
	14,293,822	14,293,822

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government-wide statements.

Issuance of long term debt	(15,600,000)	
Repayment of bond anticipation note	8,745,000	
Principal payments	675,000	
Proceeds of bond anticipation note	(11,680,000)	
Interest expense accrual	(11,024)	
	(17,871,024)	(17,871,024)

Change in net position of governmental activities		\$ 1,335,013
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Note 3 – Deposits and Investments (continued)

Investments (continued)

As of February 28, 2022, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Certificates of deposit	Debt Service	\$ 241,680	1%	N/A	N/A
TexSTAR	General	8,944,249			
	Debt Service	6,119,864			
	Capital Projects	880,731			
		<u>15,944,844</u>	<u>99%</u>	AAAm	23 days
Total		<u>\$ 16,186,524</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at February 28, 2022, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 157,893	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	98,789	Bond related fees paid by the General Fund
Joint Water Plant Fund	General Fund	69,293	Participant billings not remitted as of year end
Joint Wastewater Treatment Plant Fund	General Fund	38,877	Participant billings not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

During the current year, the District transferred \$36,616 from the General Fund to the Capital Projects Fund to fund engineering costs related to the construction of certain capital assets.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2022, is as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 14,578,559	\$ 1,828,060	\$ 16,406,619
Capital assets being depreciated			
Infrastructure	43,672,330	10,358,845	54,031,175
Landscaping improvements	5,602,161	288,074	5,890,235
Park and recreational facilities	504,216		504,216
	<u>49,778,707</u>	<u>10,646,919</u>	<u>60,425,626</u>
Less accumulated depreciation			
Infrastructure	(3,401,426)	(1,200,691)	(4,602,117)
Landscaping improvements	(848,361)	(294,511)	(1,142,872)
Park and recreational facilities	(50,422)	(25,211)	(75,633)
	<u>(4,300,209)</u>	<u>(1,520,413)</u>	<u>(5,820,622)</u>
Subtotal depreciable capital assets, net	<u>45,478,498</u>	<u>9,126,506</u>	<u>54,605,004</u>
Capital assets, net	<u>\$ 60,057,057</u>	<u>\$ 10,954,566</u>	<u>\$ 71,011,623</u>

Depreciation expense for the current year was \$1,520,413.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a water, sewer and drainage facilities BAN outstanding in the amount of \$8,745,000. This BAN was repaid on September 2, 2021 with proceeds from the issuance of the District’s Series 2021A Unlimited Tax Bonds.

On November 16, 2021, the District issued a \$11,680,000 BAN with an interest rate of 0.79% , which is due on November 15, 2022.

The effect of these transactions on the District’s short-term obligations are as follows:

Beginning balance	\$ 8,745,000
Amounts borrowed	11,680,000
Amounts repaid	<u>(8,745,000)</u>
Ending balance	<u><u>\$ 11,680,000</u></u>

Note 7 – Joint Water Plant

The District entered into that Second Amended and Restated Water Plant Cost Sharing Agreement dated February 13, 2019 by and between the District, Beazer Homes Texas, L.P. (“Beazer”), Pulte Homes of Texas, L.P. (“Pulte”), Telephone Investments, Inc. (“Telephone”), KB Home Lonestar, Inc. (“KB”), Lennar Homes of Texas Land and Construction, Ltd., dba Friendswood Development Company (“Lennar”), Mini B, Inc., and Harris County Municipal Utility District No. 538 (“HC MUD 538”), (the “Water Plant Agreement”) relating to the financing, construction and operation of certain water supply facilities that serve, or will serve, land within the District and HC MUD 538. Beazer, Pulte, Telephone, KB and Lennar are collectively referred to as the “Developers.” Pursuant to the Water Plant Agreement, certain of the Developers have and will continue to advance funds to or on behalf of the District for the design and construction of the water plant facilities as needed to serve development within the District. Mini B, Inc. (“Mini B”) has and will continue to advance funds on behalf of HC MUD 538 for the design and construction of the water plant facilities as needed to serve development within HC MUD 538. The District is not obligated to reimburse Mini B for funds advanced by Mini B. Each developer’s proportionate share of the construction costs is calculated based upon the number of connections allocated to serve the respective developer’s tract. Pursuant to the Water Plant Agreement, two water plants are anticipated to be constructed in four phases to ultimately serve a projected 5,500 equivalent single-family connections (ESFCs), with 4,000 ESFCs allocated to the District and 1,500 ESFCs allocated to HC MUD 538.

Note 7 – Joint Water Plant (continued)

In fiscal year 2016, the District completed construction of Water Plant Phase I, including an emergency waterline interconnect with HC MUD 538, to provide capacity to serve a projected 1,000 ESFCs and established a Joint Water Plant Fund (the “JWP Fund”) to account for the operating and maintenance costs of the water plant facilities. Each district has provided funds to establish an initial deposit in the JWP Fund for the payment of operation and maintenance costs. Operating and maintenance costs are allocated between the districts based on each district’s pro-rata share of the connections reserved in the Water Plant. The districts are billed monthly for operation and maintenance costs. The following table summarizes the deposits and amounts billed to each district during the year:

	Harris County MUD 495	Harris County MUD 538	Total
Billings	\$ 738,615	\$ 192,119	\$ 930,734
Operating Reserve	71,261	38,739	110,000

Note 8 – Joint Wastewater Treatment Plant

The District entered into that Amended and Restated Wastewater Capacity Cost Sharing Agreement dated March 2, 2016, subsequently amended on May 6, 2020 by and between the District, Beazer, Pulte, Telephone, KB, Wilbow, Mini B and HC MUD 538, as assigned and assumed, (the “WWTP Agreement”) relating to the financing, construction and operation of wastewater treatment facilities that serve, or will serve, land within the District and HC MUD 538. Pursuant to the WWTP Agreement, the Developers have and will continue to advance funds to or on behalf of the District for the design and construction of the Interim Plant as needed to serve development within the District. Mini B has and will continue to advance funds on behalf of HC MUD 538 for the design and construction of the Interim Plant as needed to serve development within HC MUD 538. The District is not obligated to reimburse Mini B for funds advanced by Mini B. Each developer’s proportionate share of the construction costs for each phase of the Interim Plant is calculated based on capacity to serve the respective developer’s tract divided by the total capacity of such phase of the Interim Plant. Pursuant to the WWTP Agreement, the Interim Plant will be constructed in four phases to ultimately provide 900,000 gallons per day of wastewater capacity, with 630,000 gallons per day of wastewater capacity allocated to the District and 270,000 gallons per day of wastewater capacity allocated to HC MUD 538.

In fiscal year 2016, the District established a Joint Wastewater Treatment Plant Facilities Fund (the “JWWTP Fund”) to account for the operating and maintenance costs of the Interim Plant. Each district has provided funds to establish an initial deposit in the JWWTP Fund for the payment of operation and maintenance costs. Operating and maintenance costs are allocated between the districts based on each district’s pro-rata share of the capacity in the Interim Plant. The districts are billed monthly for operation and maintenance costs.

Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022

Note 8 – Joint Wastewater Treatment Plant (continued)

The following table summarizes the deposits and amounts billed to each district during the year:

	Harris County MUD 495	Harris County MUD 538	Total
Billings	\$ 574,797	\$ 106,289	\$ 681,086
Operating Reserve	59,161	32,264	91,425

Note 9 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

The District’s developers have also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of period	\$ 24,639,696
Developer reimbursements	(15,786,820)
Developer funded construction and adjustments	12,447,564
Due to developers, end of period	<u>\$ 21,300,440</u>

In addition, the District will owe the developers approximately \$5,198,949, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Katy Manor South, Sections 3, 4 and 5 - utilities	\$ 1,682,862	\$ 1,322,834	\$ 360,028
Katy Manor South, Phase 2B - detention facilities	1,097,090	827,463	269,627
Katy Manor South, Phase 3 - detention facilities	411,527		411,527
Water Plant No. 2, Phase 2	2,007,470	225,000	1,782,470
	<u>\$ 5,198,949</u>	<u>\$ 2,375,297</u>	<u>\$ 2,823,652</u>

Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022

Note 10 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 64,690,000</u>
Due within one year	<u>\$ 1,075,000</u>

The District’s bonds payable at February 28, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2017	\$ 6,055,000	\$ 6,405,000	3.75% - 5.00%	September 1, 2019/2046	September 1, March 1	September 1, 2024
2018	15,450,000	16,000,000	3.00% - 5.50%	September 1, 2020/2048	September 1, March 1	September 1, 2023
2019	15,730,000	16,000,000	3.00% - 5.50%	September 1, 2021/2049	September 1, March 1	September 1, 2024
2020	10,790,000	10,790,000	2.00% - 4.50%	September 1, 2022/2050	September 1, March 1	September 1, 2025
2020A Park	1,065,000	1,065,000	2.375% - 4.75%	September 1, 2022/2050	September 1, March 1	September 1, 2025
2021 Road	1,800,000	1,800,000	1.00% - 3.50%	September 1, 2023/2050	September 1, March 1	September 1, 2026
2021A	13,800,000	13,800,000	2.00% - 4.50%	September 1, 2022/2051	September 1, March 1	September 1, 2026
	<u>\$ 64,690,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At February 28, 2022, the District had authorized but unissued bonds in the amount of \$126,005,000 for water, sewer and drainage facilities and refunding of the same; \$22,935,000 for park and recreational facilities and refunding of the same; and \$56,200,000 for road improvements and refunding of the same.

On March 4, 2021, the District issued its \$1,800,000 Series 2021 Unlimited Tax Road Bonds at a net effective interest rate of 2.120020%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022

Note 10 – Long-Term Debt (continued)

On September 2, 2021, the District issued its \$13,800,000 Series 2021A Unlimited Tax Bonds at a net effective interest rate of 2.371151%. Proceeds of the bonds were used to (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets and the acquisition of land for certain District facilities, (2) to pay developer interest at the net effective interest rate of the bonds and (3) to repay a \$8,745,000 BAN issued in the previous year.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 49,765,000
Bonds issued	15,600,000
Bonds retired	<u>(675,000)</u>
Bonds payable, end of year	<u>\$ 64,690,000</u>

Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022

Note 10 – Long-Term Debt (continued)

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 28, 2022, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	\$ 1,075,000	\$ 1,995,549	\$ 3,070,549
2024	1,255,000	1,936,692	3,191,692
2025	1,325,000	1,872,117	3,197,117
2026	1,385,000	1,804,356	3,189,356
2027	1,450,000	1,734,220	3,184,220
2028	1,525,000	1,667,349	3,192,349
2029	1,595,000	1,613,356	3,208,356
2030	1,645,000	1,569,278	3,214,278
2031	1,700,000	1,525,592	3,225,592
2032	1,750,000	1,479,836	3,229,836
2033	1,800,000	1,431,636	3,231,636
2034	1,860,000	1,381,436	3,241,436
2035	1,920,000	1,329,033	3,249,033
2036	1,985,000	1,273,964	3,258,964
2037	2,045,000	1,216,085	3,261,085
2038	2,120,000	1,155,485	3,275,485
2039	2,185,000	1,092,244	3,277,244
2040	2,255,000	1,025,875	3,280,875
2041	2,335,000	956,244	3,291,244
2042	2,420,000	883,725	3,303,725
2043	2,500,000	808,540	3,308,540
2044	2,585,000	730,650	3,315,650
2045	2,670,000	649,712	3,319,712
2046	2,765,000	565,574	3,330,574
2047	2,855,000	478,152	3,333,152
2048	2,955,000	387,340	3,342,340
2049	3,060,000	293,147	3,353,147
2050	3,165,000	200,672	3,365,672
2051	3,260,000	114,587	3,374,587
2052	3,245,000	36,506	3,281,506
	<u>\$ 64,690,000</u>	<u>\$ 33,208,952</u>	<u>\$ 97,898,952</u>

Note 11 – Property Taxes

On May 10, 2014, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and an operation and maintenance tax for road facilities limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$1.44 per \$100 of assessed value, of which \$0.69 was allocated to maintenance and operations, \$0.70 was allocated to debt service, and \$0.05 was allocated to road debt service. The resulting tax levy was \$8,008,223 on the adjusted taxable value of \$556,126,626.

Property taxes receivable, at February 28, 2022, consisted of the following:

Current year taxes receivable	\$ 234,502
Prior years taxes receivable	58,308
	<u>292,810</u>
Penalty and interest receivable	32,075
Property taxes receivable	<u><u>\$ 324,885</u></u>

Note 12 – Lease Agreements

Temporary Wastewater Treatment Plant No. 1

On October 31, 2014, the District entered into an operating lease agreement for a 150,000 gallon per day temporary wastewater treatment plant (“Phase I”) with AUC Group, LP. This lease is for a 60-month term, commencing on May 1, 2016. The District has the option to extend the lease on a month to month basis following expiration of the initial term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District also has the option to purchase the temporary plant during the initial term or during an extension should the District exercise its option to extend. The purchase price shall be the principal value remaining in accordance with the amortization schedule provided in the lease agreement. If the purchase option is not exercised by the District, the District shall have title to the temporary plant when the temporary plant is fully amortized. This lease is month to month basis.

Note 12 – Lease Agreements (continued)

Temporary Wastewater Treatment Plant No. 1 (continued)

On February 1, 2017, the District entered into a second operating lease agreement for a temporary 150,000 gallons per day wastewater treatment plant (“Phase II”) with AUC Group LP. This lease is for a 60-month term, commencing on August 1, 2017. The District has the option to extend the lease on a month to month basis following expiration of the initial term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District also has the option to purchase the temporary plant Phase II during the initial term or during an extension should the District exercise its option to extend. The purchase price shall be the principal value remaining in accordance with the amortization schedule provided in the lease agreement. If the purchase option is not exercised by the District, the District shall have title to the temporary plant when the temporary plant is fully amortized.

On March 7, 2018, the District entered into a third operating lease agreement for a temporary 300,000 gallons per day wastewater treatment plant (“Phase III”). This lease is for a 60-month term, commencing on December 1, 2018. The District has the option to extend the lease on a month to month basis following expiration of the initial term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District also has the option to purchase the temporary plant Phase III during the initial term or during an extension should the District exercise its option to extend. The purchase price shall be the principal value remaining in accordance with the amortization schedule provided in the lease agreement. If the purchase option is not exercised by the District, the District shall have title to the temporary plant when the temporary plant is fully amortized.

On August 5, 2020, the District entered into a fifth operating lease agreement for a temporary 400,000 gallons per day wastewater treatment plant (“Phase IV”). This lease is for a 60-month term, commencing on February 1, 2022. The District has the option to extend the lease on a month to month basis following expiration of the initial term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District also has the option to purchase the temporary plant Phase IV during the initial term or during an extension should the District exercise its option to extend. The purchase price shall be the principal value remaining in accordance with the amortization schedule provided in the lease agreement. If the purchase option is not exercised by the District, the District shall have title to the temporary plant when the temporary plant is fully amortized.

Pursuant to the agreements, the District paid its last month’s rent upon commencement of the Phase I, Phase II, Phase III and Phase IV leases. Additionally, the District paid its March 2022 lease payments on the first four phases during the current fiscal year. The District reports these amounts as prepaid items on the *Statement of Net Position*.

Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022

Note 12 – Lease Agreements (continued)

Temporary Wastewater Treatment Plant No. 1 (continued)

Temporary wastewater treatment plant Phases I, II, III, and IV serve the District and HC MUD 538 pursuant to the Joint Wastewater Treatment Plant Agreement. As a result, transactions related to these agreements are reported in the Joint Wastewater Treatment Plant Fund on the fund financial statements. Information pertaining to the District’s temporary wastewater treatment plant is provided below:

	Initial Term Monthly Payment	Month-to- Month Payment	Current Year Expense	Amount Prepaid
Phase I	\$ 11,700	\$ 9,400	\$ 117,400	\$ 21,100
Phase II	4,350	3,800	52,200	8,700
Phase III	12,750	10,150	153,000	25,500
Phase IV	18,800	14,100	18,800	56,400
			<u>\$ 341,400</u>	<u>\$ 111,700</u>

Future minimum lease payments as of February 28, 2022 for the temporary wastewater treatment plant no. 1 are as follows:

Year	Amount
2023	\$ 404,700
2024	340,350
2025	225,600
2026	225,600
2027	206,800
	<u>\$ 1,403,050</u>

Wastewater Treatment Plant No. 2

On May 2, 2018, the District entered into a fourth operating lease agreement for a 210,000 gallon per day temporary wastewater treatment plant no. 2 (“WWTP 2”) with AUC Group, LP. This lease is for a 60-month term, commencing on June 1, 2019. The District has the option to extend the lease on a month to month basis following expiration of the initial term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District also has the option to purchase WWTP 2 during the initial term or during an extension should the District exercise its option to extend. The purchase price shall be the principal value remaining in accordance with the amortization schedule provided in the lease agreement. If the purchase option is not exercised by the District, the District shall have title to the temporary plant when the temporary plant is fully amortized.

Harris County Municipal Utility District No. 495
Notes to Financial Statements
February 28, 2022

Note 12 – Lease Agreements (continued)

Wastewater Treatment Plant No. 2 (continued)

On September 2, 2020, the District entered into a sixth operating lease agreement for a 210,000 gallon per day temporary wastewater treatment plant no. 2, phase II (“WWTP 2, Phase II”) with AUC Group, LP. This lease is for a 60-month term, commencing on October 1, 2021. The District has the option to extend the lease on a month to month basis following expiration of the initial term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District also has the option to purchase WWTP 2, Phase II during the initial term or during an extension should the District exercise its option to extend. The purchase price shall be the principal value remaining in accordance with the amortization schedule provided in the lease agreement. If the purchase option is not exercised by the District, the District shall have title to the temporary plant when the temporary plant is fully amortized.

Pursuant to the agreements, the District paid its last month’s rent upon commencement of the Phase I and Phase II leases. Additionally, the District paid its March 2022 lease payments during the current fiscal year. The District reports these amounts as prepaid items on the *Statement of Net Position*.

WWTP 2 is intended to serve customers solely within the District’s boundaries. As a result, transactions related to these agreements are reported in the General Fund on the fund financial statements. During the current year, the District paid \$277,500 in lease expense. Information pertaining to the District’s temporary wastewater treatment plant no. 2 is provided below:

	Initial Term Monthly Payment	Month-to- Month Payment	Current Year Expense	Amount Prepaid
Phase I	\$ 18,000	\$ 14,500	\$ 216,000	\$ 36,000
Phase II	12,300	11,000	61,500	24,600
			<u>\$ 277,500</u>	<u>\$ 60,600</u>

Future minimum lease payments as of February 28, 2022 for the temporary wastewater treatment plant no. 2 are as follows:

Year	Amount
2023	\$ 363,600
2024	363,600
2025	201,600
2026	147,600
2027	86,100
	<u>\$ 1,162,500</u>

Note 13 – Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five-member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal.

As of January 1, 2022, the Authority’s rates are \$3.70 per 1,000 gallons for groundwater pumped from the District’s wells and \$4.10 per 1,000 gallons for surface water received from the Authority, if any. These rates are subject to future increases. The District charges its customers by multiplying these costs times 110%.

Note 14 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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Required Supplementary Information

*Harris County Municipal Utility District No. 495
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended February 28, 2022*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 700,000	\$ 816,706	\$ 116,706
Sewer service	800,000	1,142,628	342,628
Property taxes	1,950,000	3,887,116	1,937,116
Penalties and interest	25,000	36,704	11,704
Regional Water Authority fees	750,000	891,978	141,978
Tap connection and inspection	400,000	960,298	560,298
Miscellaneous		12,960	12,960
Investment earnings	2,500	707	(1,793)
Total Revenues	<u>4,627,500</u>	<u>7,749,097</u>	<u>3,121,597</u>
Expenditures			
Current service operations			
Purchased services	1,380,030	1,313,413	66,617
Professional fees	313,000	235,076	77,924
Contracted services	955,000	1,273,557	(318,557)
Repairs and maintenance	746,487	928,071	(181,584)
Regional Water Authority fees	350,000	381,649	(31,649)
Utilities	78,000	99,780	(21,780)
Lease expense	216,000	277,500	(61,500)
Administrative	72,000	65,238	6,762
Other	40,000	32,513	7,487
Total Expenditures	<u>4,150,517</u>	<u>4,606,797</u>	<u>(456,280)</u>
Revenues Over Expenditures	476,983	3,142,300	2,665,317
Other Financing Uses			
Internal transfers		(36,616)	(36,616)
Net Change in Fund Balance	476,983	3,105,684	2,628,701
Fund Balance			
Beginning of the year	6,294,341	6,294,341	
End of the Year	<u>\$ 6,771,324</u>	<u>\$ 9,400,025</u>	<u>\$ 2,628,701</u>

*Harris County Municipal Utility District No. 495
 Required Supplementary Information - Budgetary Comparison Schedule -
 Joint Water Plant Fund
 For the Year Ended February 28, 2022*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 968,500	\$ 930,734	\$ (37,766)
Investment earnings		23	23
Total Revenues	<u>968,500</u>	<u>930,757</u>	<u>(37,743)</u>
Expenditures			
Current service operations			
Professional fees	3,000	3,000	
Contracted services	20,000	25,346	(5,346)
Repairs and maintenance	145,000	131,180	13,820
Regional water authority fees	750,000	728,099	21,901
Utilities	45,000	39,302	5,698
Administrative	5,500	3,830	1,670
Total Expenditures	<u>968,500</u>	<u>930,757</u>	<u>37,743</u>
Revenues Over/(Under) Expenditures			
Fund Balance			
End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Harris County Municipal Utility District No. 495
 Required Supplementary Information - Budgetary Comparison Schedule -
 Joint Wastewater Treatment Plant Fund
 For the Year Ended February 28, 2022*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 712,250	\$ 681,086	\$ (31,164)
Investment earnings		16	16
Total Revenues	<u>712,250</u>	<u>681,102</u>	<u>(31,148)</u>
Expenditures			
Current service operations			
Professional fees	3,000	35,055	(32,055)
Contracted services	34,900	33,883	1,017
Repairs and maintenance	267,500	185,193	82,307
Utilities	50,000	57,688	(7,688)
Lease expense	345,600	341,400	4,200
Administrative	6,250	7,303	(1,053)
Other	5,000	4,080	920
Total Expenditures	<u>712,250</u>	<u>664,602</u>	<u>47,648</u>
Revenues Over Expenditures		16,500	16,500
Fund Balance			
Beginning of the year	95,200	95,200	
End of the period	<u>\$ 95,200</u>	<u>\$ 111,700</u>	<u>\$ 16,500</u>

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund, Joint Water Plant Fund, and Joint Wastewater Treatment Plant Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

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Texas Supplementary Information

Harris County Municipal Utility District No. 495

TSI-1. Services and Rates

February 28, 2022

1. Services provided by the District During the Fiscal Year:

- | | | | |
|--|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Roads | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 20.00	6,000	N	\$ 1.75	6,001	to 15,000
				\$ 2.50	15,001	to 30,000
				\$ 3.50	30,001	to no limit
Wastewater:	\$ 35.00		Y			to _____
Regional water fee:	\$ 4.07	1,000	N	\$ 4.07	1,001	to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 67.70 Wastewater \$ 35.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	2,923	2,910	x 1.0	2,910
1"	10	9	x 2.5	23
1.5"	2	2	x 5.0	10
2"	27	27	x 8.0	216
3"	1	1	x 15.0	15
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
12"	1	1	x 190.0	190
Total Water	2,964	2,950		3,364
Total Wastewater	2,922	2,909	x 1.0	2,909

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-1. Services and Rates
February 28, 2022

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>290,332,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>233,653,000</u>	(Gallons billed / Gallons pumped)
Gallons sold to HC MUD 538:	<u>42,669,000</u>	<u>95.17%</u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Harris County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditor's report.

*Harris County Municipal Utility District No. 495
 TSI-2 General Fund Expenditures
 For the Year Ended February 28, 2022*

Purchased services		<u>\$ 1,313,413</u>
Professional fees		
Legal		113,391
Audit		13,604
Engineering		108,081
		<u>235,076</u>
Contracted services		
Bookkeeping		32,838
Operator		149,231
Tap connection and inspection		432,857
Garbage collection		473,607
Security		185,024
		<u>1,273,557</u>
Repairs and maintenance		<u>928,071</u>
Regional Water Authority fees		<u>381,649</u>
Utilities		<u>99,780</u>
Lease expense		<u>277,500</u>
Administrative		
Directors fees		13,650
Printing and office supplies		34,453
Insurance		13,067
Other		4,068
		<u>65,238</u>
Other		<u>32,513</u>
Total expenditures		<u><u>\$ 4,606,797</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	959,458 kWh	\$ 96,196
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditor's report.

Harris County Municipal Utility District No. 495

TSI-3. Investments

February 28, 2022

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
TexSTAR	Variable	N/A	<u>\$ 8,944,249</u>	<u>\$ -</u>
Debt Service				
TexSTAR	Variable	N/A	5,860,921	
TexSTAR	Variable	N/A	258,943	
Certificates of deposit	0.40%	08/07/22	<u>241,680</u>	<u>543</u>
			<u>6,361,544</u>	<u>543</u>
Capital Projects				
TexSTAR	Variable	N/A	800,637	
TexSTAR	Variable	N/A	92	
TexSTAR	Variable	N/A	<u>80,002</u>	
			<u>880,731</u>	
			<u>\$ 16,186,524</u>	<u>\$ 543</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-4. Taxes Levied and Receivable
February 28, 2022

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 167,666	\$ 169,670	\$ -	\$ 337,336
Adjustments to Prior Year Tax Levy	21,699	23,846		45,545
Adjusted Receivable	189,365	193,516		382,881
2021 Original Tax Levy	3,393,787	3,442,973	245,927	7,082,687
Adjustments	443,486	449,913	32,137	925,536
Adjusted Tax Levy	3,837,273	3,892,886	278,064	8,008,223
Total to be accounted for	4,026,638	4,086,402	278,064	8,391,104
Tax collections:				
Current year	3,724,908	3,778,892	269,921	7,773,721
Prior years	162,208	162,365		324,573
Total Collections	3,887,116	3,941,257	269,921	8,098,294
Taxes Receivable, End of Year	\$ 139,522	\$ 145,145	\$ 8,143	\$ 292,810
Taxes Receivable, By Year				
2021	\$ 112,365	\$ 113,994	\$ 8,143	\$ 234,502
2020	14,040	13,671		27,711
2019	10,799	13,021		23,820
2018 and prior	2,318	4,459		6,777
Taxes Receivable, End of Year	\$ 139,522	\$ 145,145	\$ 8,143	\$ 292,810
	2021	2020	2019	2018
Property Valuations:				
Land	\$ 126,865,108	\$ 110,904,486	\$ 88,717,515	\$ 68,355,170
Improvements	438,154,784	319,519,941	227,073,738	139,069,870
Personal Property	3,693,433	4,012,652	2,791,020	1,386,660
Exemptions	(12,586,699)	(9,663,629)	(6,155,604)	(3,300,006)
Total Property Valuations	\$ 556,126,626	\$ 424,773,450	\$ 312,426,669	\$ 205,511,694
Tax Rate per \$100 Valuation:				
Maintenance tax rates	\$ 0.69	\$ 0.76	\$ 0.68	\$ 0.50
Debt service tax rates	0.70	0.74	0.82	1.00
Road debt service tax rates	0.05			
Total Tax Rates per \$100 Valuation	\$ 1.44	\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 8,008,223	\$ 6,371,602	\$ 4,686,400	\$ 3,082,675
Percentage of Taxes Collected to Taxes Levied **	97.07%	99.57%	99.49%	99.81%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 10, 2014

*** Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 10, 2014

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
February 28, 2022

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$ 130,000	\$ 228,556	\$ 358,556
2024	135,000	221,931	356,931
2025	145,000	214,931	359,931
2026	150,000	207,556	357,556
2027	160,000	199,806	359,806
2028	165,000	191,681	356,681
2029	175,000	184,713	359,713
2030	180,000	178,944	358,944
2031	190,000	172,931	362,931
2032	200,000	166,594	366,594
2033	210,000	159,669	369,669
2034	220,000	152,144	372,144
2035	230,000	144,269	374,269
2036	240,000	135,894	375,894
2037	250,000	127,013	377,013
2038	265,000	117,678	382,678
2039	275,000	107,719	382,719
2040	290,000	97,125	387,125
2041	305,000	85,969	390,969
2042	315,000	74,344	389,344
2043	330,000	62,250	392,250
2044	350,000	49,500	399,500
2045	365,000	36,094	401,094
2046	380,000	22,125	402,125
2047	400,000	7,500	407,500
	<u>\$ 6,055,000</u>	<u>\$ 3,346,936</u>	<u>\$ 9,401,936</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
February 28, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 295,000	\$ 589,288	\$ 884,288
2024	310,000	572,650	882,650
2025	320,000	555,325	875,325
2026	335,000	537,313	872,313
2027	350,000	518,475	868,475
2028	370,000	498,675	868,675
2029	385,000	480,800	865,800
2030	405,000	467,025	872,025
2031	420,000	454,650	874,650
2032	435,000	441,281	876,281
2033	455,000	426,819	881,819
2034	470,000	411,787	881,787
2035	490,000	395,575	885,575
2036	515,000	377,987	892,987
2037	535,000	359,278	894,278
2038	555,000	339,522	894,522
2039	580,000	318,950	898,950
2040	605,000	297,094	902,094
2041	630,000	273,938	903,938
2042	660,000	249,750	909,750
2043	690,000	224,437	914,437
2044	715,000	198,094	913,094
2045	745,000	170,719	915,719
2046	780,000	142,125	922,125
2047	810,000	112,312	922,312
2048	1,265,000	73,406	1,338,406
2049	1,325,000	24,844	1,349,844
	<u>\$ 15,450,000</u>	<u>\$ 9,512,119</u>	<u>\$ 24,962,119</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
February 28, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 280,000	\$ 504,769	\$ 784,769
2024	295,000	488,956	783,956
2025	305,000	472,456	777,456
2026	320,000	455,269	775,269
2027	335,000	437,884	772,884
2028	345,000	422,400	767,400
2029	360,000	410,100	770,100
2030	375,000	399,075	774,075
2031	390,000	387,600	777,600
2032	410,000	375,600	785,600
2033	420,000	363,150	783,150
2034	440,000	350,250	790,250
2035	460,000	336,750	796,750
2036	475,000	322,725	797,725
2037	500,000	308,100	808,100
2038	520,000	292,800	812,800
2039	540,000	276,900	816,900
2040	560,000	260,400	820,400
2041	585,000	243,225	828,225
2042	610,000	225,300	835,300
2043	630,000	206,700	836,700
2044	655,000	187,425	842,425
2045	685,000	167,325	852,325
2046	710,000	146,400	856,400
2047	740,000	124,650	864,650
2048	770,000	102,000	872,000
2049	800,000	78,450	878,450
2050	2,215,000	33,225	2,248,225
	<u>\$ 15,730,000</u>	<u>\$ 8,379,884</u>	<u>\$ 24,109,884</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
February 28, 2022

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$ 185,000	\$ 283,856	\$ 468,856
2024	195,000	275,306	470,306
2025	215,000	266,081	481,081
2026	230,000	256,069	486,069
2027	245,000	245,381	490,381
2028	265,000	233,906	498,906
2029	285,000	225,094	510,094
2030	290,000	219,344	509,344
2031	290,000	213,544	503,544
2032	290,000	207,744	497,744
2033	295,000	201,894	496,894
2034	300,000	195,944	495,944
2035	300,000	189,944	489,944
2036	305,000	183,703	488,703
2037	305,000	177,031	482,031
2038	310,000	170,113	480,113
2039	315,000	162,884	477,884
2040	315,000	155,206	470,206
2041	315,000	147,331	462,331
2042	320,000	139,394	459,394
2043	325,000	131,331	456,331
2044	325,000	123,206	448,206
2045	325,000	115,081	440,081
2046	330,000	106,894	436,894
2047	330,000	98,438	428,438
2048	325,000	89,841	414,841
2049	325,000	81,309	406,309
2050	320,000	72,844	392,844
2051	2,615,000	34,322	2,649,322
	<u>\$ 10,790,000</u>	<u>\$ 5,003,035</u>	<u>\$ 15,793,035</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
Series 2020A Park--by Years
February 28, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 15,000	\$ 30,131	\$ 45,131
2024	20,000	29,300	49,300
2025	20,000	28,350	48,350
2026	20,000	27,400	47,400
2027	25,000	26,488	51,488
2028	25,000	25,613	50,613
2029	20,000	24,825	44,825
2030	25,000	24,038	49,038
2031	25,000	23,163	48,163
2032	25,000	22,288	47,288
2033	30,000	21,325	51,325
2034	30,000	20,275	50,275
2035	30,000	19,394	49,394
2036	30,000	18,681	48,681
2037	35,000	17,909	52,909
2038	35,000	17,078	52,078
2039	35,000	16,247	51,247
2040	40,000	15,356	55,356
2041	40,000	14,381	54,381
2042	40,000	13,381	53,381
2043	45,000	12,319	57,319
2044	50,000	11,131	61,131
2045	50,000	9,881	59,881
2046	50,000	8,631	58,631
2047	55,000	7,284	62,284
2048	60,000	5,775	65,775
2049	60,000	4,200	64,200
2050	65,000	2,559	67,559
2051	65,000	853	65,853
	<u>\$ 1,065,000</u>	<u>\$ 498,256</u>	<u>\$ 1,563,256</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
Series 2021 Road--by Years
February 28, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ -	\$ 36,330	\$ 36,330
2024	35,000	35,718	70,718
2025	40,000	34,405	74,405
2026	40,000	33,005	73,005
2027	40,000	31,605	71,605
2028	45,000	30,230	75,230
2029	45,000	29,330	74,330
2030	45,000	28,858	73,858
2031	50,000	28,310	78,310
2032	50,000	27,685	77,685
2033	50,000	26,935	76,935
2034	55,000	26,042	81,042
2035	55,000	25,107	80,107
2036	60,000	24,130	84,130
2037	60,000	23,110	83,110
2038	65,000	21,950	86,950
2039	65,000	20,650	85,650
2040	65,000	19,350	84,350
2041	70,000	18,000	88,000
2042	75,000	16,550	91,550
2043	75,000	15,050	90,050
2044	80,000	13,500	93,500
2045	80,000	11,900	91,900
2046	85,000	10,250	95,250
2047	85,000	8,550	93,550
2048	90,000	6,800	96,800
2049	95,000	4,950	99,950
2050	100,000	3,000	103,000
2051	100,000	1,000	101,000
	<u>\$ 1,800,000</u>	<u>\$ 612,300</u>	<u>\$ 2,412,300</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
Series 2021A--by Years
February 28, 2022

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$ 170,000	\$ 322,619	\$ 492,619
2024	265,000	312,831	577,831
2025	280,000	300,569	580,569
2026	290,000	287,744	577,744
2027	295,000	274,581	569,581
2028	310,000	264,844	574,844
2029	325,000	258,494	583,494
2030	325,000	251,994	576,994
2031	335,000	245,394	580,394
2032	340,000	238,644	578,644
2033	340,000	231,844	571,844
2034	345,000	224,994	569,994
2035	355,000	217,994	572,994
2036	360,000	210,844	570,844
2037	360,000	203,644	563,644
2038	370,000	196,344	566,344
2039	375,000	188,894	563,894
2040	380,000	181,344	561,344
2041	390,000	173,400	563,400
2042	400,000	165,006	565,006
2043	405,000	156,453	561,453
2044	410,000	147,794	557,794
2045	420,000	138,712	558,712
2046	430,000	129,149	559,149
2047	435,000	119,418	554,418
2048	445,000	109,518	554,518
2049	455,000	99,394	554,394
2050	465,000	89,044	554,044
2051	480,000	78,412	558,412
2052	3,245,000	36,506	3,281,506
	<u>\$ 13,800,000</u>	<u>\$ 5,856,422</u>	<u>\$ 19,656,422</u>

See accompanying auditor's report.

Harris County Municipal Utility District No. 495
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
February 28, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 1,075,000	\$ 1,995,549	\$ 3,070,549
2024	1,255,000	1,936,692	3,191,692
2025	1,325,000	1,872,117	3,197,117
2026	1,385,000	1,804,356	3,189,356
2027	1,450,000	1,734,220	3,184,220
2028	1,525,000	1,667,349	3,192,349
2029	1,595,000	1,613,356	3,208,356
2030	1,645,000	1,569,278	3,214,278
2031	1,700,000	1,525,592	3,225,592
2032	1,750,000	1,479,836	3,229,836
2033	1,800,000	1,431,636	3,231,636
2034	1,860,000	1,381,436	3,241,436
2035	1,920,000	1,329,033	3,249,033
2036	1,985,000	1,273,964	3,258,964
2037	2,045,000	1,216,085	3,261,085
2038	2,120,000	1,155,485	3,275,485
2039	2,185,000	1,092,244	3,277,244
2040	2,255,000	1,025,875	3,280,875
2041	2,335,000	956,244	3,291,244
2042	2,420,000	883,725	3,303,725
2043	2,500,000	808,540	3,308,540
2044	2,585,000	730,650	3,315,650
2045	2,670,000	649,712	3,319,712
2046	2,765,000	565,574	3,330,574
2047	2,855,000	478,152	3,333,152
2048	2,955,000	387,340	3,342,340
2049	3,060,000	293,147	3,353,147
2050	3,165,000	200,672	3,365,672
2051	3,260,000	114,587	3,374,587
2052	3,245,000	36,506	3,281,506
	<u>\$ 64,690,000</u>	<u>\$ 33,208,952</u>	<u>\$ 97,898,952</u>

See accompanying auditor's report.

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Harris County Municipal Utility District No. 495
TSI-6. Change in Long-Term Bonded Debt
February 28, 2022

	Bond Issue			
	Series 2017	Series 2018	Series 2019	Series 2020
Interest rate	3.75% - 5.00%	3.00% - 5.50%	3.00% - 5.50%	2.00% - 4.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/19 - 9/1/46	9/1/20 - 9/1/48	9/1/21 - 9/1/49	9/1/22 - 9/1/50
Beginning bonds outstanding	\$ 6,180,000	\$ 15,730,000	\$ 16,000,000	\$ 10,790,000
Bonds issued				
Bonds retired	(125,000)	(280,000)	(270,000)	
Ending bonds outstanding	<u>\$ 6,055,000</u>	<u>\$ 15,450,000</u>	<u>\$ 15,730,000</u>	<u>\$ 10,790,000</u>
Interest paid during fiscal year	<u>\$ 234,931</u>	<u>\$ 605,100</u>	<u>\$ 519,894</u>	<u>\$ 288,019</u>

Paying agent's name and city
All Series

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

Bond Authority:	Water, Sewer and Drainage Bonds	Recreational Bonds	Road Bonds
	Amount Authorized by Voters	\$ 189,000,000	\$ 24,000,000
Amount Issued	(62,995,000)	(1,065,000)	(1,800,000)
Remaining To Be Issued	<u>\$ 126,005,000</u>	<u>\$ 22,935,000</u>	<u>\$ 56,200,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of February 28, 2022: \$ 6,846,907

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,263,298

See accompanying auditor's report.

Bond Issue			
Series 2020A Park	Series 2021 Road	Series 2021A	Totals
2.375% - 4.75%	1.00% - 3.50%	2.00% - 4.50%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/22 -	9/1/23 -	9/1/22 -	
9/1/50	9/1/50	9/1/51	
\$ 1,065,000	\$ -	\$ -	\$ 49,765,000
	1,800,000	13,800,000	15,600,000
			(675,000)
<u>\$ 1,065,000</u>	<u>\$ 1,800,000</u>	<u>\$ 13,800,000</u>	<u>\$ 64,690,000</u>
<u>\$ 30,488</u>	<u>\$ 36,330</u>	<u>\$ 163,222</u>	<u>\$ 1,877,984</u>

Harris County Municipal Utility District No. 495

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Water service	\$ 816,706	\$ 667,119	\$ 520,100	\$ 359,113	\$ 217,857
Sewer service	1,142,628	865,529	664,495	470,334	286,599
Property taxes	3,887,116	3,292,843	1,984,434	1,017,936	768,029
Penalties and interest	36,704	15,265	26,086	15,090	8,671
Regional Water Authority fees	891,978	735,567	545,123	313,623	169,819
Tap connection and inspection	960,298	745,974	577,358	679,453	588,185
Miscellaneous	12,960	21,057	3,150	1,343	4,757
Investment earnings	707	6,894	40,371	29,459	7,527
Total Revenues	7,749,097	6,350,248	4,361,117	2,886,351	2,051,444
Expenditures					
Current service operations					
Purchased services	1,313,413	1,161,019	1,169,410	709,663	376,027
Professional fees	235,076	263,509	295,187	220,029	209,244
Contracted services	1,273,557	1,054,300	749,250	616,404	435,208
Repairs and maintenance	928,071	706,434	579,966	359,654	223,974
Regional Water Authority fees	381,649	357,483			
Utilities	99,780	69,250	36,702	9,525	7,132
Lease expense	277,500	216,000	162,000		
Administrative	65,238	56,014	46,374	35,199	28,345
Other	32,513	30,186	14,974	8,726	14,278
Total Expenditures	4,606,797	3,914,195	3,053,863	1,959,200	1,294,208
Revenues Over Expenditures	\$ 3,142,300	\$ 2,436,053	\$ 1,307,254	\$ 927,151	\$ 757,236
Total Active Retail Water					
Connections	2,950	2,436	1,818	1,321	870
Total Active Retail Wastewater					
Connections	2,909	2,402	1,790	1,299	858

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2022	2021	2020	2019	2018
11%	11%	12%	12%	11%
15%	14%	15%	16%	14%
50%	51%	46%	35%	38%
*	*	1%	1%	*
12%	12%	12%	11%	8%
12%	12%	13%	24%	29%
*	*	*	*	*
*	*	1%	1%	*
100%	100%	100%	100%	100%

17%	18%	27%	25%	18%
3%	4%	7%	8%	10%
16%	17%	17%	21%	21%
12%	11%	13%	12%	11%
5%	6%			
1%	1%	1%	*	*
4%	3%	4%		
1%	1%	1%	1%	1%
*	*	*	*	1%
59%	61%	70%	67%	62%
41%	39%	30%	33%	38%

Harris County Municipal Utility District No. 495

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	\$ 4,211,178	\$ 3,274,012	\$ 2,526,025	\$ 1,954,318	\$ 887,808
Penalties and interest	70,519	38,775	39,662	15,721	9,456
Investment earnings	3,762	9,841	40,866	17,583	4,430
Total Revenues	4,285,459	3,322,628	2,606,553	1,987,622	901,694
Expenditures					
Tax collection services	101,043	102,987	69,373	37,505	24,040
Other	37	1,723	203	173	68
Debt service					
Principal	675,000	385,000	110,000		
Interest and fees	1,879,774	1,574,347	1,212,604	650,061	202,965
Total Expenditures	2,655,854	2,064,057	1,392,180	687,739	227,073
Revenues Over Expenditures	\$ 1,629,605	\$ 1,258,571	\$ 1,214,373	\$ 1,299,883	\$ 674,621

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2022	2021	2020	2019	2018
98%	99%	96%	98%	99%
2%	1%	2%	1%	1%
*	*	2%	1%	*
100%	100%	100%	100%	100%
2%	3%	3%	2%	3%
*	*	*	*	*
16%	12%	4%		
44%	47%	47%	33%	23%
62%	62%	54%	35%	26%
38%	38%	46%	65%	74%

Harris County Municipal Utility District No. 495
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended February 28, 2022

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 1, 2021
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Martin Burns	5/20 - 5/24	\$ 1,650	\$ 187	President
Kenneth C. Whitmore	6/18 - 5/22	2,250	111	Vice President
Justin Marcum, Sr.	3/21 - 5/24	1,200	203	Secretary
Tony Bonaventure	6/18 - 5/22	6,300	181	Assistant Secretary
Mackenzie Osborne	12/20 - 5/22	2,100	156	Assistant Vice President
Jackie Taylor	5/20 - 3/21	150		Former Director

		Amounts Paid	
Consultants			
Allen Boone Humphries Robinson LLP	2014		Attorney
<i>General legal fees</i>		\$ 238,180	
<i>Bond counsel</i>		386,973	
Municipal District Services L.L.C.	2014	1,445,631	Operator
Myrtle Cruz, Inc.	2014	61,540	Bookkeeper
Assessments of the Southwest, Inc.	2014	20,102	Tax Collector
Harris County Appraisal District	Legislation	43,739	Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2015	27,930	Delinquent Tax Attorney
LJA Engineering, Inc.	2014	499,593	Engineer
McGrath & Co., PLLC	2015	47,300	Auditor
Rathmann & Associates, L.P.	2014	431,800	Financial Advisor

* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.
See accompanying auditor's report.

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

