OFFICIAL STATEMENT DATED AUGUST 24, 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 THE OPINION OF BOND COUNSEL. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE—BOOK-ENTRY ONLY | **RATING: Insured "AA" (stable) S&P**
CUSIP No. 41428V | **See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein**

$4,600,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 542
(A political subdivision of the State of Texas, located in Harris County, Texas)
UNLIMITED TAX BONDS
SERIES 2022

Dated: September 1, 2022 | **Due: April 1 (as shown below)**

Interest on the Bonds (the "Bonds" or the "Series 2022 Bonds") will accrue from September 1, 2022, and will be payable on April 1 and October 1 of each year, commencing April 1, 2023. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Bank of New York Mellon Trust Company, Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

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

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield (a)	Principal Amount	Maturity	Interest Rate	Yield (a)
$100,000	2026	6.50%	2.70%	$100,000	2027	6.50%	2.80%

$250,000 6.50% Term Bond Due April 1, 2029 to Yield 2.90% (a) (b) (c)
$275,000 6.50% Term Bond Due April 1, 2031 to Yield 3.00% (a) (b) (c)
$300,000 5.00% Term Bond Due April 1, 2033 to Yield 3.10% (a) (b) (c)
$325,000 5.00% Term Bond Due April 1, 2035 to Yield 3.20% (a) (b) (c)
$350,000 4.00% Term Bond Due April 1, 2037 to Yield 3.90% (a) (b) (c)
$400,000 4.00% Term Bond Due April 1, 2039 to Yield 4.05% (a) (b) (c)
$400,000 4.00% Term Bond Due April 1, 2041 to Yield 4.10% (a) (b) (c)
$700,000 4.00% Term Bond Due April 1, 2044 to Yield 4.15% (a) (b) (c)
$800,000 4.00% Term Bond Due April 1, 2047 to Yield 4.20% (a) (b) (c)
$600,000 4.00% Term Bond Due April 1, 2049 to Yield 4.22% (a) (b) (c)

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

(b) The Bonds maturing on or after April 1, 2028, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2027, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."

(c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 542 (the "District") to: (1) reimburse a developer for certain water, wastewater, and drainage facilities serving Rosehill Reserve, Sections 1 through 4, and related engineering costs; (2) finance certain water plant and water supply facilities; (3) finance land costs associated with certain water plant and water supply facilities; (4) finance certain wastewater treatment plant facility costs; (5) pay certain developer interest costs; and (6) pay bond issuance and administrative expenses. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about September 21, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. 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 this Official Statement until delivery of the Bonds to the Underwriter.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purpose.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "APPENDIX C – Specimen 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 producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.014342% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.406163%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

Prices and Marketability

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

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

PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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 certain material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT" (except for "Estimated Overlapping Debt)," "DISTRICT TAX DATA," and "APPENDIX A" (Audited Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023. The District will provide the updated information to EMMA.

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 "Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond 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 January 31. Accordingly, it must provide updated information by July 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

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

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 and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

This is the District’s fourth bond issue since 2019. The District has complied in all material respects with the terms of its continuing disclosure agreements in accordance with the Rule.

MUNICIPAL BOND RATING

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $490.5 million, $187.1 million and $303.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description: The $4,600,000 Unlimited Tax Bonds, Series 2022, are dated September 1, 2022. The Bonds represent the fourth series of bonds to be issued by Harris County Municipal Utility District No. 542 (the "District"). The Bonds mature on April 1 in the years shown in the table of the cover page of this Official Statement. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS."

Redemption Provisions: The Bonds maturing on or after April 1, 2028, are subject to early redemption, in whole or in part, on April 1, 2027, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041, 2044, 2047 and 2049 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2028, 2030, 2032, 2034, 2036, 2038, 2040, 2042, 2045 and 2048 respectively. See "THE BONDS – Mandatory Redemption."

Book-Entry-Only System: The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds: Proceeds from the sale of the Bonds will be used to: (1) reimburse a developer for certain water, wastewater, and drainage facilities serving Rosehill Reserve, Sections 1 through 4, and related engineering costs; (2) finance certain water plant and water supply facilities; (3) finance land costs associated with certain water plant and water supply facilities; (4) finance certain wastewater treatment plant facility costs; (5) pay certain developer interest costs; and (6) pay bond issuance and administrative expenses. See "USE OF BOND PROCEEDS."

Legal Opinion: Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

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

Payment Record: This is the District's fourth bond issue. The District has never defaulted in the payment of principal or interest on any bonds or outstanding obligations.

Risk Factors: The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

Qualified Tax Exempt Obligations: The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

Municipal Bond Insurance & Rating: S&P has assigned its municipal bond rating of "AA" (stable) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE," and APPENDIX C – Specimen Municipal Insurance Policy."

THE DISTRICT

Description: The District, as it was originally created, included approximately 325 acres. Since its creation, the District has not excluded any tracts of land but has annexed approximately 10 acres of land. The District currently includes approximately 335 acres. The District is located within the extraterritorial jurisdiction of the City of Houston. The District is located approximately 30 miles northwest of the City of Houston's central business district in northwest Harris County. The District is located south of Farm to Market Road 2920, which forms the northern boundary of the District; west of Cypress Rosehill Road; east of Mueschke Road; and is just north of the Grand Parkway. According to the District's engineer, none of the developed land or developable land within the District would be subject to flooding during a hypothetical 100-year flood. See "THE DISTRICT."

Status of Land Development: A summary of the approximate land use in the District appears in the following table:

Type of Land Use	Approximate Acres	
Developed Acres	239	(a)
Under Development	0	
Remaining Developable Acreage	29	(b)
Undevelopable Acreage	67	(c)
TOTAL	**335**	

(a) Represents the developed acres located in Rosehill, Sections 1 - 6 (110 acres – 378 platted lots) Rose Meadow Farms, Section 1 - 2 (41 acres – 138 platted lots), Rose Meadow Farms, Section 4 (10 acres – 52 platted lots), and Amira, Sections 19 - 21 (62 acres – 247 platted lots).

(b) Represent acreage located in Amira, Sections 22 - 24, which will be developed by G.P. 344 and Beazer Homes.

(c) Includes street rights-of-way, detention ponds, drainage easements, parks and recreation areas, open spaces, and District plant sites.

Homebuilding Development: As of June 15, 2022, there were 527 completed homes, 17 homes under construction and 271 vacant developed lots. Homes have been or are presently being constructed in subdivisions known as Rosehill Reserve (Sections 1 – 6) and Rose Meadow Farms (Sections 1 – 2, and 4). Homebuilders in the District presently include Castlerock Homes, Perry Homes, Beazer Homes, and Rausch Coleman. Homes in the District are presently being marketed in the $275,000 - $476,417 price range. See "THE DISTRICT" and "APPENDIX B – PHOTOGRAPHS TAKEN IN THE DISTRICT."

The Developers: The original developer in the District was Rosehill Reserve, Ltd., a Texas limited partnership managed and owned by Thomas L. Hargrove, Jr. and Brian McGown. On February 3, 2020 Rosehill Reserve, Ltd transferred its assets (including all of its land and existing and future District reimbursement rights) to UDF V Capital Solutions 1, LP ("UDF V CS1"), a wholly owned subsidiary of United Development Funding Income Fund V, a Maryland real estate investment trust ("UDF V"). At such time UDF V CS1 became a developer in the District. Simultaneously with the closing of the UDF V CS1 transaction with Rosehill Reserve, Ltd., UDF V CS1 sold approximately 112 acres to GP 344 Ltd, a Texas limited partnership ("GP 344") and Beazer Homes Texas, LP, A Texas limited partnership ("Beazer Homes") who have entered into a joint development agreement for the purpose of acquiring such acreage and developing such land. PSWA, LLC, a Texas corporation, is the sole General Partner of GP 344 and the limited partner of GP 344 is Perry Homes, LLC, a Texas limited liability company. The General Partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., a Delaware corporation, the stock of which is owned by Beazer Homes, USA, which is traded on the New York Stock Exchange under the ticker "BZH." GP 344 and Beazer Homes have engaged Johnson Development Services, an affiliate company of Johnson Development Corp., to manage future development in the District by GP 344 and Beazer Homes. To date no development has occurred on the land owned by GP 344 and Beazer. See "THE DEVELOPERS IN THE DISTRICT."

Rausch Coleman Homes is currently the developer and home builder in the Rose Meadow Farms Subdivision. The 138 lots in Sections 1&2 of the subdivision are completely built out. The approximately 10 acres – 52 lots in Section 4 have been developed and home building is currently underway. According to Rausch Coleman Homes, homes are being marketed for sale from the $275,000 and up price range. See "THE DEVELOPERS IN THE DISTRICT."

The System: In accordance with the Utility Agreement between the District, UDF V CS1, Beazer Homes Texas, L.P., and GP 344, Ltd., on behalf of Harris County MUD No. 558 dated August 1, 2018, (the "Agreement") the District operates water supply, wastewater treatment, and drainage facilities jointly owned by both districts. Capacity owned by each district is specified in the Agreement.

The District's water supply plant is currently capable of serving 942 equivalent single family connections ("ESFCs"). The District's share of this capacity per the Agreement is 520 ESFCs.

The District's wastewater treatment plant is currently capable of serving 1,000 ESFCs. The District's share of this capacity per the Agreement is 500 ESFCs. See "THE SYSTEM."

100-Year Flood Plain: The District is entirely outside the 100-year flood plain, as depicted on Federal Emergency Management Agency Flood Insurance Rate Map for Harris County, Panel No. 48201C0205L H dated June 18, 2007. The District reported no flooding of homes during Hurricane Harvey. See "RISK FACTORS – Hurricane Harvey" and "THE SYSTEM."

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

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

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

6/15/2022 Estimated Taxable Value	$190,027,712	(a)
1/1/2021 Taxable Value	$131,232,651	(b)
Direct Debt		
Outstanding Bonds	$13,085,000	
The Bonds	$4,600,000	
Total Direct Debt	$17,685,000	
Estimated Overlapping Debt	$7,726,104	
Direct and Estimated Overlapping Debt	$25,411,104	
Percentage of Direct Debt to:		
6/15/2022 Estimated Taxable Value	9.31%	
1/1/2021 Taxable Value	13.48%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
6/15/2022 Estimated Taxable Value	13.37%	
1/1/2021 Taxable Value	19.36%	
See "DISTRICT DEBT"		
2021 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.17	
Road Debt Service Tax	$0.09	
Maintenance Tax	$1.03	
Total 2021 Tax Rate	$1.29	
Cash and Temporary Investment Balances as of June 22, 2022		
General Fund	$2,422,867	
Debt Service Fund	$221,413	(c)
Road Debt Service Fund	$119,263	(c)

(a) Reflects data supplied by the Harris County Appraisal District ("HCAD"). The Estimated Taxable Value as of 6/15/2022 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."

(b) Represents taxable value as of 1/1/2021, as provided by the HCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(c) Neither Texas law nor the District's Bond Resolutions require that the District maintain any particular balance in either the Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the District's outstanding bonds and the debt service requirements for the Bonds.

Year	Outstanding Debt Service	Plus: Debt Service on the 2022 Bonds Principal	Interest	Total Debt Service Requirements
2022	$357,581			$357,581
2023	$416,861		$225,739	$642,600
2024	$659,961		$208,375	$868,336
2025	$671,861		$208,375	$880,236
2026	$658,424	$100,000	$205,125	$963,549
2027	$694,986	$100,000	$198,625	$993,611
2028	$682,036	$125,000	$191,312	$998,348
2029	$694,111	$125,000	$183,187	$1,002,298
2030	$682,024	$125,000	$175,062	$982,086
2031	$720,986	$150,000	$166,125	$1,037,111
2032	$709,611	$150,000	$157,500	$1,017,111
2033	$698,111	$150,000	$150,000	$998,111
2034	$736,361	$150,000	$142,500	$1,028,861
2035	$724,221	$175,000	$134,375	$1,033,596
2036	$711,939	$175,000	$126,500	$1,013,439
2037	$748,924	$175,000	$119,500	$1,043,424
2038	$734,924	$200,000	$112,000	$1,046,924
2039	$745,252	$200,000	$104,000	$1,049,252
2040	$779,361	$200,000	$96,000	$1,075,361
2041	$762,502	$200,000	$88,000	$1,050,502
2042	$770,173	$225,000	$79,500	$1,074,673
2043	$752,549	$225,000	$70,500	$1,048,049
2044	$759,580	$250,000	$61,000	$1,070,580
2045	$790,362	$250,000	$51,000	$1,091,362
2046	$799,749	$275,000	$40,500	$1,115,249
2047	$552,387	$275,000	$29,500	$856,887
2048	$563,450	$300,000	$18,000	$881,450
2049	$233,162	$300,000	$6,000	$539,162
TOTALS	**$18,811,449**	**$4,600,000**	**$3,348,300**	**$26,759,749**

Maximum Annual Debt Service Requirements (2046).. $1,115,249

$0.62 tax rate on the 6/15/2022 Estimated Taxable Value of $190,027,712
@ 95% collections produces .... ……………………………………………………………………...$1,119,263

$0.90 tax rate on 1/1/2021 Taxable Valuation of $131,232,651
@ 95% collections produces ....………………………………………………………………………$1,122,039

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

OFFICIAL STATEMENT

Relating to

$4,600,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 542

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

UNLIMITED TAX BONDS

SERIES 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the $4,600,000 Harris County Municipal Utility District No. 542 Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Constitution and general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution (the "Bond Resolution") adopted by the Board of Directors of Harris County Municipal Utility District No. 542 (the "District"), an order of the Texas Commission on Environmental Quality ("TCEQ"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

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

Infectious Disease Outlook (COVID-19)

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

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

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

Marketability

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

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

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the Texas Commission on Environmental Quality ("TCEQ") prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors.

While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

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

Approval of the Bonds

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

Economic Factors

The continued growth and maintenance of taxable values in the District is directly related to the housing/homebuilding industry. Historically, the housing and homebuilding industry has been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. Any future commercial building in the District (if any) could also be adversely affected by such economic developments.

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

The economy of the Houston, Texas metropolitan area and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent fluctuations in the price of oil and related products have the potential to negatively affect the economy of the Houston, Texas metropolitan area and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

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

Nationally, there was a significant downturn in new housing construction in 2007 - 2011 caused in part by increasing foreclosures, reduced builder financing, the unavailability of mortgage funds and slower growth, and contraction in the national economy, resulting in a decline in the market value of homes. The downturn did not have an effect on the value of homes in the District, as the District had not yet been created at that time. However, the Houston area, which includes Harris County, experienced reduced levels of home construction in 2009, 2010, 2011, and 2012 versus similar periods in prior years, i.e., 2004 - 2006.

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

Landowners/Developers under No Obligation to the District

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

Dependence on Principal Taxpayers

Based upon the 2021 certified tax rolls, the top ten taxpayers are responsible for approximately 10.43% of the District's 2021 taxes. The ability of the principal taxpayers 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. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. The District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DEVELOPERS IN THE DISTRICT" and "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2021 tax rate of $1.29 per $100 of assessed valuation is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Harris County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be $1,115,249 (2046). The District's June 15, 2022 Estimated Taxable Value is $190,027,712. Assuming no increase or decrease from the June 15, 2022 Estimated Taxable Value and no use of other District funds, a tax rate of $0.62 per $100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. The District's 1/1/2021 Taxable Value is $131,232,651. Assuming no increase or decrease from the 1/1/2021 Taxable Value and no use of other District funds, a tax rate of $0.90 per $100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

Amount	Purpose
$175,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
$30,000,000	For certain road facilities and for refunding
$20,000,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have $160,470,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, $26,845,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and $20,000,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of

Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) 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 (1%) but not three percent (3%) of the value of the taxable property in the District. The District held a park and recreational facilities bond election on May 7, 2016, that authorized $20,000,000 of park bonds.

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

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

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

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

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

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

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.

Bond Insurance Risk Factors

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

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

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

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

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

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

Hurricane Harvey

The Houston area, including the area in and around the District, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to representatives of the District's Engineer, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service. According to representatives of the Operator and the Engineer, no homes within the District experienced flooding.

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

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

Inclement Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

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

Temporary Tax Exemptions for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the 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.

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 judication 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.

Harris County and City of Houston Floodplain Regulations

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

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

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

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

Atlas 14

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.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse a developer for certain water, wastewater, and drainage facilities serving Rosehill Reserve, Sections 1 through 4, and related engineering costs; (2) finance certain water plant and water supply facilities; (3) finance land costs associated with certain water plant and water supply facilities; (4) finance certain wastewater treatment plant facility costs; (5) pay certain developer interest costs; and (6) pay bond issuance and administrative expenses.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

SUMMARY OF COSTS	**Total Amount**	(a)
CONSTRUCTION COSTS		
Developer Contribution Items		
Rosehill Reserve Section 1 – W/WW/D	$776,078	
Rosehill Reserve Section 2 – W/WW/D	$383,362	
Rosehill Reserve Section 3 – W/WW/D	$414,353	
Rosehill Reserve Section 4 – W/WW/D	$383,948	
Engineering	$398,394	
SWPPP	$133,124	
Total Developer Contributions Items	$2,489,259	
District Items		
Remote Well Collection Line to serve Rosehill Reserve	$76,577	
Water Well No. 3 – Remote	$500,032	
Wastewater Treatment Plant Expansion – Phase 2	$263,138	
Engineering	$179,147	
Land Cost (Water Well No. 3)	$28,537	
Total District Items	$1,047,431	
TOTAL CONSTRUCTION COSTS	**$3,536,690**	
TOTAL PROJECT COSTS:		
Legal Fees	$130,000	
Financial Agent Fees	$92,000	
Developer Interest	$412,133	
Bond Discount	$137,340	
Developer Advances	$205,900	
TCEQ Bond Issue Fee	$11,500	
Bond Application Report Cost	$45,000	
Attorney General Fee	$4,600	
Bond Issuance Expenses	$24,177	
Continency	$660	(b)
TOTAL NON-CONSTRUCTION COSTS	**$1,063,310**	
TOTAL BOND ISSUE REQUIREMENT	**$4,600,000**	

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. None of the facilities being finance with bond proceeds were subject to such TCEQ rules.

(b) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement.

THE DISTRICT

Authority

The District is a municipal utility district created by an Order of the TCEQ effective January 8, 2016. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road powers.

Under certain limited circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities, and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

In order to obtain the consent of the City of Houston (the "City"), within whose extraterritorial jurisdiction the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 325 acres. Since its creation, the District has not excluded any tracts of land but has annexed a 10-acre tract of land. The District currently includes approximately 335 acres. The District is located within the extraterritorial jurisdiction of the City of Houston. The District is located approximately 30 miles northwest of the City of Houston's central business district in northwest Harris County. The District is located south of Farm to Market Road 2920, which forms the northern boundary of the District; west of Cypress Rosehill Road; east of Mueschke Road; and is just north of the Grand Parkway. According to the District's engineer, none of the developed land or developable land within the District is inside the mapped flood plain depicted on Federal Emergency Management Agency Flood Insurance Rate Map (Panel 48201C0205L) dated June 18, 2007.

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District appears in the following table:

Type of Land Use	Approximate Acres	
Developed Acres	239	(a)
Under Development	0	
Remaining Developable Acreage	29	(b)
Undevelopable Acreage	67	(c)
Total Approximate Acres	**335**	

(a) Represents the developed acres located in Rosehill, Sections 1 - 6 (110 acres – 378 platted lots), Rose Meadow Farms, Section 1 - 2 (41 acres – 138 platted lots), Rose Meadow Farms, Section 4 (10 acres – 52 platted lots), and Amira, Sections 19 - 21 (62 acres – 247 platted lots).

(b) Represent acreage located in Amira, Sections 22 - 24, which will be developed by G.P. 344 and Beazer Homes.

(c) Includes street rights-of-way, detention ponds, drainage easements, parks and recreation areas, open spaces, and District plant sites.

Homebuilding Development

A tabulation of the single-family residences within the District as of June 15, 2022, is approximately as follows:

Section	Acreage	Total Lots	Completed Homes	Homes Under Construction	Vacant Developed Lots
Rosehill Reserve, Sections 1 - 3	71	235	235	0	0
Rosehill Reserve, Sections 4 - 6 (a)	39	143	138	5	0
Rose Meadow Farms, Sections 1 - 2 (b)	41	138	138	0	0
Rose Meadow Farms, Section 4 (b)	10	52	16	12	24
Amira, Sections 19 - 21 (c)	62	247	0	0	247
Rosehill Reserve Blvd. (d)	14	-	-	-	-
Cypress Heights Drive (d)	2	-	-	-	-
TOTAL	**239**	**815**	**527**	**17**	**271**

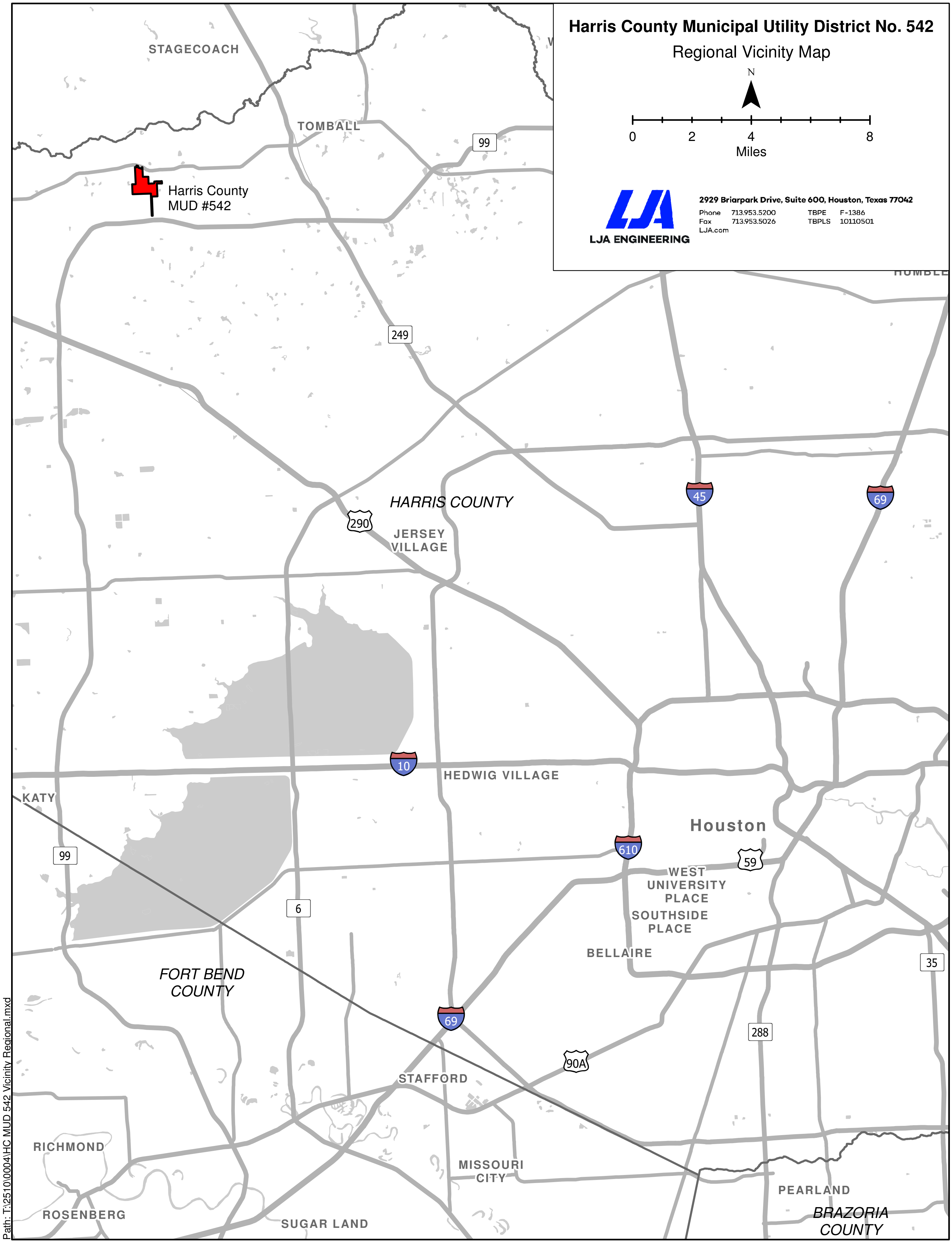
(a) The homes in Rosehill Reserve, Sections 4 - 6 are currently being constructed by Castlerock Homes; the homes in these sections are currently being marketed in the $449,000 - $476,417 price range.

(b) The lot development in Rose Meadow Farms, Sections 1 and 2 has been completed and homes have been constructed on all of such lots. The lot development in Rose Meadow Farms, Section 4 was completed in May 2022. According to Rausch Coleman Homes (the land developer/homebuilder in this section) home building is currently underway and homes are being marketed for sale from the $275,000 and up price range.

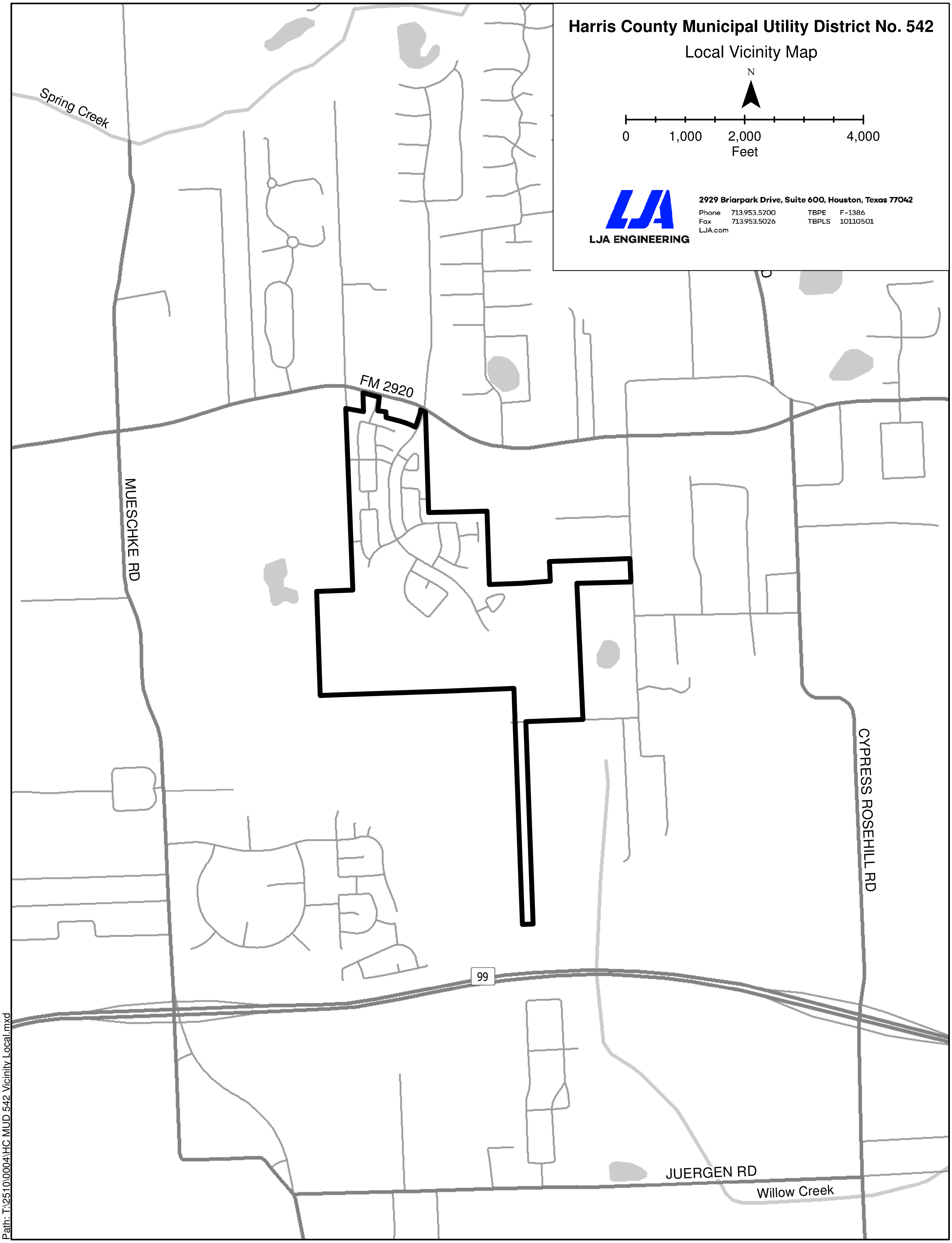
(c) The lots in Amira, Sections 19 - 21 have recently been developed. It is anticipated that the homes in these sections will be constructed by Beazer Homes and Perry Homes and will be marketed in the $350,000-$720,000 price range.

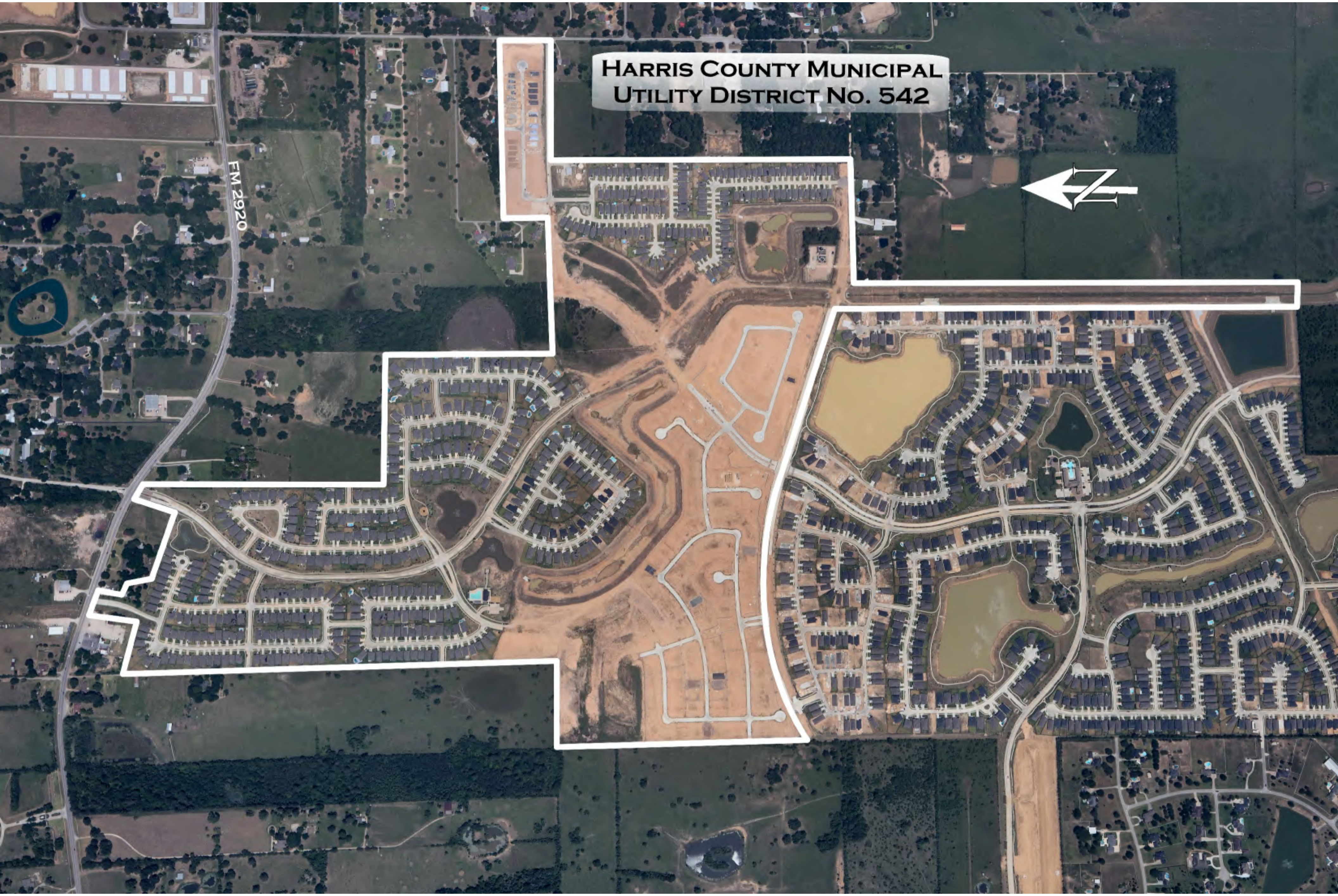
(d) Represents undevelopable land that consists only of public street rights-of-way, detention facility land, and recreation center. No homebuilding will take place in this area.

LOCATION MAP



MAP OF THE DISTRICT

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THE DEVELOPERS IN THE DISTRICT

Role of a Developer

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

The Developers

The original developer in the District was Rosehill Reserve, Ltd., a Texas limited partnership managed and owned by Thomas L. Hargrove, Jr. and Brian McGown. On February 3, 2020 Rosehill Reserve, Ltd transferred its assets (including all of its land and existing and future District reimbursement rights) to UDF V Capital Solutions 1, LP (“UDF V CS1”), a wholly owned subsidiary of United Development Funding Income Fund V, a Maryland real estate investment trust (“UDF V”). At such time UDF V CS1 became a developer in the District.

Simultaneously with the closing of the UDF V CS1 transaction with Rosehill Reserve, Ltd., UDF V CS1 sold approximately 112 acres to GP 344 Ltd, a Texas limited partnership (“GP 344”) and Beazer Homes Texas, LP, A Texas limited partnership (“Beazer Homes”) who have entered into a joint development agreement for the purpose of acquiring such acreage and developing such land. PSWA, LLC, a Texas corporation, is the sole General Partner of GP 344 and the limited partner of GP 344 is Perry Homes, LLC, a Texas limited liability company. The General Partner of Beazer Homes is Beazer Homes Texas Holdings, Inc., a Delaware corporation, the stock of which is owned by Beazer Homes, USA, which is traded on the New York Stock Exchange under the ticker “BZH.” GP 344 and Beazer Homes have engaged Johnson Development Services an affiliate company of Johnson Development Corp. to manage future development in the District by GP 344 and Beazer Homes. The 112 acres mentioned above will be developed as an area in the District known as Amira, Sections 19-24; the parties mentioned above in this paragraph are collectively referred to herein as the “Amira Developers.” According to the Amira Developers utility development work in the Amira, Sections 19-24 began in the fourth quarter of 2021.

Rausch Coleman Homes is currently the developer and home builder in the Rose Meadow Farms Subdivision. The 138 lots in Sections 1&2 of the subdivision are completely built out. The approximately 10 acres – 52 lots in Section 4 have been developed and home building is currently underway. According to Rausch Coleman Homes, homes are being marketed for sale from the $275,000 and up price range.

UTILITY AGREEMENT

In accordance with the Utility Agreement between the District, Rosehill Reserve, Ltd., Beazer Homes LP and GP 344 on behalf of Harris County MUD No. 558 (“MUD 558”) dated August 1, 2018, (the “Agreement”) the District operates water supply, wastewater treatment, and drainage facilities jointly owned by both districts. Capacity owned by each district is specified in the Agreement.

THE SYSTEM

Description of the System

The water, wastewater and storm drainage facilities of the District and the accompanying rights of use therein are described below based upon information obtained from the District's records.

- Water Supply -

The District operates one groundwater plant, including one 1,000 gallons per minute (“gpm”) water well, one 188,000 gallon ground storage tank, one 250,000 gallon ground storage tank, two 15,000 gallon hydropneumatic tanks, and four booster pumps with a total capacity of 2,330 gpm. The District also has an emergency interconnect with H-M-W SUD. The District’s water supply plant is currently capable of serving 942 equivalent single-family connections (“ESFCs”). The District’s share of this capacity per the Agreement is 520 ESFCs.

- Wastewater Treatment Facilities –

In accordance with the Agreement, the District operates water supply, wastewater treatment, and drainage facilities jointly owned by the Districts and MUD558. The capacity owned by each District is specified in the Agreement.

The District operates a 300,000 gallons per day wastewater treatment plant. The District's wastewater treatment plant is currently capable of serving 1,000 ESFCs. The District's share of this capacity per the Agreement is currently 500 ESFCs.

100-Year Flood Plain

The entire developable area in the District is entirely outside the 100-year flood plain; a small portion of the southern part of the District is comprised of a drainage channel which is in the 100-year flood plain. That area in the drainage channel is depicted on Federal Emergency Management Agency Flood Insurance Rate Map for Harris County, Panel No. 48201C0205L H, dated June 18, 2007. The District reported no flooding of homes during Hurricane Harvey.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	Fiscal Year Ended January 31 (a)					
	2022		2021	2020	2019	2018
REVENUES						
Water Service	$113,263		$118,884	$107,607	$97,046	$43,508
Sewer Service	$179,185		$119,273	$51,299	$21,343	$3,943
Property taxes	$778,481		$565,059	$307,666	$242,141	$66,841
Penalty and interest	$7,597		$9,011	$10,333	$11,258	$6,377
Tap connection and inspection	$75,076		$333,755	$123,180	$127,865	$62,140
Surface water fees	$256,627		$226,733	$144,959	$93,086	$35,079
Miscellaneous	$287		$2,727	$15,528	$2,450	$7,407
Investment earnings	$2,713		$2,033	$543	$3,019	$91
TOTAL REVENUES	**$1,413,229**		**$1,377,475**	**$761,115**	**$598,208**	**$225,386**
EXPENDITURES						
Current service operations:						
Purchased services	$455,343		$314,055	$183,838	$77,520	$45,580
Professional fees	$213,965		$194,357	$212,244	$130,779	$158,673
Contracted services	$298,123		$320,825	$235,549	$502,729	$60,682
Repairs and maintenance	$110,139		$51,185	$78,610	$87,021	$96,280
Utilities	$2,603		$1,932	$4,386	$9,066	$207
Surface Water					$93,793	$33,045
Administrative	$36,804		$27,801	$21,197	$19,578	$14,434
Other	$18,180		$27,549	$19,338	$9,645	$6,972
Lease	$0		$0	$20,000	$48,000	$137,200
Capital outlay	$8,608		$0	$227,970		$222,065
TOTAL EXPENDITURES	**$1,143,765**		**$937,704**	**$1,003,132**	**$978,131**	**$775,138**
Revenues Over/(Under) Expenditures	**$269,464**	(b)	**$439,771**	**($242,017)**	**($379,923)**	**($549,752)**

(a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended January 31, 2022.

(b) As of June 22, 2022, the District's General Fund had an unaudited cash and investment balance of approximately $2,422,867. For the fiscal year ending January 31, 2023, the District's General Fund is currently budgeting revenues of approximately $2,104,302 and expenditures of approximately $1,330,480.

MANAGEMENT OF THE DISTRICT

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

Name	Title	Expires May
Sherri Sloan	President	2024
Daniel Kinchen	Vice President	2024
Nathan Utt	Secretary	2026
Mark Shaffer	Assistant Secretary	2026
Melvin Wachsmann	Assistant VP	2024

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

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 175 other utility districts.

Bookkeeper – The District's Bookkeeper is Municipal Accounts & Consulting, L.P., which acts as bookkeeper for approximately 150 other utility districts.

Auditor – The District's annual financial statements as of and for the year ended January 31, 2022, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's January 31, 2022, audited financial statements.

Utility System Operator – The System's operator is Municipal District Services (the "Operator") who serves as the Operator for approximately 70 other special districts.

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

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

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds however such fees are not contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral, evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of long-term securities or derivative products in the District portfolio.

DISTRICT DEBT

6/15/2022 Estimated Taxable Value	$190,027,712	(a)
1/1/2021 Taxable Value	$131,232,651	(b)
Direct Debt		
Outstanding Bonds	$13,085,000	
The Bonds	$4,600,000	
Total Direct Debt	$17,685,000	
Estimated Overlapping Debt	$7,726,104	
Direct and Estimated Overlapping Debt	$25,411,104	
Percentage of Direct Debt to:		
6/15/2022 Estimated Taxable Value	9.31%	
1/1/2021 Taxable Value	13.48%	
Percentage of Direct and Estimated Overlapping Debt to:		
6/15/2022 Estimated Taxable Value	13.37%	
1/1/2021 Taxable Value	19.36%	
2021 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.17	
Road Debt Service Tax	$0.09	
Maintenance Tax	$1.03	
Total 2021 Tax Rate	$1.29	
Cash and Temporary Investment Balances as of June 22, 2022		
General Fund	$2,422,867	
Debt Service Fund	$221,413	(c)
Road Debt Service	$119,263	(c)

(a) The Estimated Taxable Value as of 6/15/2022 was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA."

(b) Represents the taxable value as of 1/1/2021, as provided by the HCAD. See “DISTRICT TAX DATA” and “TAXING PROCEDURES.”

(c) Neither Texas law nor the District's Bond Resolutions require that the District maintain any particular balance in either the Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

Estimated Overlapping Debt

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

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Overlapping %**	**Amount**
Tomball Independent School District	$685,985,000	0.98%	$6,739,337
Harris County	$1,335,237,125	0.03%	$336,428
Harris County Flood Control District	$584,900,000	0.03%	$149,913
Port of Houston Authority	$469,434,397	0.03%	$121,272
Harris County Department of Education	$20,185,000	0.03%	$5,085
Harris County Hospital District	$76,385,000	0.03%	$19,574
Lone Star College System	$643,940,000	0.06%	$354,495
Total Estimated Overlapping Debt			**$7,726,104**
The District (a)			$17,685,000
Total Direct and Estimated Overlapping Debt			**$25,411,104**

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2017 through 2021. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Year	Taxable Valuation	Tax Rate (a)	Tax Levy	Cumulative Tax Collections (b)	Year Ended January 31
2021	$131,232,651	$1.29	$1,692,901	98%(c)	2022
2020	$70,788,226	$1.33	$941,483	100%	2021
2019	$41,611,722	$1.35	$561,758	100%	2020
2018	$22,973,842	$1.35	$310,147	100%	2019
2017	$16,558,740	$1.35	$223,543	100%	2018

(a) See “Tax Rate Distribution” herein.

(b) Represents tax collections as of June 30, 2022.

(c) The 2021 tax levy was due on or before January 31, 2022; the figure above represents tax collections as of May 31, 2022. See “TAXING PROCEEDURES”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to $1.50 per $100.00 of assessed valuation at an election held on May 7, 2016. The District's voters authorized a road maintenance tax of up to $0.25 per $100.00 of assessed valuation at an election held on May 7, 2016. See “Tax Rate Distribution” herein.

Tax Rate Distribution

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

	2021	2020	2019	2018	2017
Road Debt Service	$0.09	$0.10	$0.00	$0.00	$0.00
Debt Service	$0.17	$0.13	$0.00	$0.00	$0.00
Maintenance/Operations	$1.03	$1.10	$1.35	$1.35	$1.35
Total	**$1.29**	**$1.33**	**$1.35**	**$1.35**	**$1.35**

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2021 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

Property Owner	Property Description	Property Value	% of Total
Beazer Homes Texas LP (a)	Commercial	$4,900,486	3.73%
Rausch Coleman Houston LLC (a)	Tracts / Business Personal Property	$2,500,736	1.91%
Lennar Homes of Texas	Lots / Houses	$1,597,061	1.22%
Castlerock Communities LP	Lots / Houses	$1,394,828	1.06%
Hudson SFR Property Holdings II LLC	Lots / Houses	$718,444	0.55%
Rosehill Reserve Community Assoc. Inc.	Reserve / Recreation Center	$562,312	0.43%
ARG V Borrower LLC	Lots / Houses	$529,925	0.40%
Gehan Homes Ltd.	Lots / Houses	$524,112	0.40%
Homeowner	Lot / House	$480,359	0.37%
Homeowner	Lot / House	$480,000	0.37%
TOTAL TOP 10 VALUE		**$13,688,263**	**10.43%**

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(a) See "The Developers in the District."

Analysis of Tax Base

Based on information provided to the District by HCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2017 through 2021.

Year	Land	Improvements	Personal Property	Gross Valuations	Exemptions	Taxable Valuations (a)
2021	$31,884,024	$103,964,279	$1,017,996	$136,866,299	$5,633,648	$131,232,651
2020	$29,091,736	$44,171,924	$646,083	$73,909,743	$3,121,517	$70,788,226
2019	$19,812,766	$26,369,755	$489,450	$46,671,971	$5,060,249	$41,611,722
2018	$17,212,743	$9,109,108	$297,877	$26,619,728	$3,645,886	$22,973,842
2017	$16,886,387	$1,534	$0	$16,887,921	$329,181	$16,558,740

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(a) Reflects the gross Assessed Valuation supplied by HCAD, less exemptions.

Estimated Overlapping Taxes

The following table sets forth all 2021 taxes levied by overlapping taxing jurisdictions for substantially all of the completed homes and homes under construction that are located within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Jurisdictions	2021 Tax Rate
Tomball Independent School District	$1.250000
Harris County (a)	$0.586340
Lone Star College District	$0.107800
Emergency Service District No. 21	$0.099212
Emergency Service District No. 3	$0.099186
Overlapping Taxes	**$2.142538**
The District (2021 total tax rate)	$1.290000
Total Direct & Overlapping Taxes	**$3.432538**

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

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 6/15/2022 Estimated Taxable Valuation and the 2021 Taxable Valuation. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2046)	$1,115,249
Requires a $0.62 debt service tax rate on the 6/15/2022 Estimated Taxable Value at 95% collections	$1,119,263
Requires a $0.90 debt service tax rate on the 1/1/2021 Taxable Value at 95% collections	$1,122,039

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

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 in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by HCAD. HCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the

State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran’s residence homestead to which the disabled veterans’ exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

Tax Abatement

Either Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston, Harris County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special 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 years for agricultural use, open space land and timberland.

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

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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 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) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston 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, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

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

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District 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 or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many 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.

THE BONDS

General

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

The Bonds will be dated and will bear interest from September 1, 2022, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2023, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

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

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

Optional Redemption

The Bonds maturing on or after April 1, 2028, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2027, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption:

The Bonds maturing April 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041, 2044, 2047 and 2049 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

$250,000 Term Bonds, due April 1, 2029

Mandatory Redemption Date	Principal Amount
April 1, 2028	$125,000
April 1, 2029 (maturity)	$125,000

$275,000 Term Bonds, due April 1, 2031

Mandatory Redemption Date	Principal Amount
April 1, 2030	$125,000
April 1, 2031 (maturity)	$150,000

$300,000 Term Bonds, due April 1, 2033

Mandatory Redemption Date	Principal Amount
April 1, 2032	$150,000
April 1, 2033 (maturity)	$150,000

$325,000 Term Bonds, due April 1, 2035

Mandatory Redemption Date	Principal Amount
April 1, 2034	$150,000
April 1, 2035 (maturity)	$175,000

$350,000 Term Bonds, due April 1, 2037

Mandatory Redemption Date	Principal Amount
April 1, 2036	$175,000
April 1, 2037 (maturity)	$175,000

$400,000 Term Bonds, due April 1, 2039

Mandatory Redemption Date	Principal Amount
April 1, 2038	$200,000
April 1, 2039 (maturity)	$200,000

$400,000 Term Bonds, due April 1, 2041

Mandatory Redemption Date	Principal Amount
April 1, 2040	$200,000
April 1, 2041 (maturity)	$200,000

$700,000 Term Bonds, due April 1, 2044

Mandatory Redemption Date	Principal Amount
April 1, 2042	$225,000
April 1, 2043	$225,000
April 1, 2044 (maturity)	$250,000

$800,000 Term Bonds, due April 1, 2047

Mandatory Redemption Date	Principal Amount
April 1, 2045	$250,000
April 1, 2046	$275,000
April 1, 2047 (maturity)	$275,000

$600,000 Term Bonds, due April 1, 2049

Mandatory Redemption Date	Principal Amount
April 1, 2048	$300,000
April 1, 2049 (maturity)	$300,000

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 Bond 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 random method, the Term Bond or portions of the Term Bond 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 Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, 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.

Notice of Redemption; Partial Redemption:

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

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

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

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond 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. 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.

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

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

There is no assurance that the current law will not be changed in the future in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

In the Bond Resolution, the Debt Service Fund is confirmed and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution in accordance with TCEQ rules or ultimately transferred to the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution 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 that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

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

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

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) 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 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

Amount	Purpose
$175,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
$30,000,000	For certain road facilities and for refunding
$20,000,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have $160,470,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, $26,845,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and $20,000,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds, as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except new money road bonds) to be issued by the District must also be approved by the TCEQ. 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.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City of Houston ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City of Houston to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

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

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Securities. The Securities 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 Securities, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Securities 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District and to the effect that, 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. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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 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

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

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 proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The District has covenanted in the Bond Resolution that they 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 that 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 of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any 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 ownership of, receipt of interest on, 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 individuals 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 hereof. 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 of the Bonds 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 issue 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 and based upon the assumptions hereinafter stated: (a) the difference between: (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price 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 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 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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bonds and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership and redemption, sale, or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the District as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c) (3) bonds) to be issued during the calendar year is not expected to exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2022 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2022.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

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

Consultants

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

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

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

Auditor - The District's annual financial statements as of and for the year ended January 31, 2022, have been audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's January 31, 2022, audited financial statements.

Continuing Availability of Financial Information

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

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

Certification as to Official Statement

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

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 542 as of the date shown on the cover page.

APPENDIX A

AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 542

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

January 31, 2022

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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. 542
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. 542 (the "District"), as of and for the year ended January 31, 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. 542, as of January 31, 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 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 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PLLC

Houston, Texas
May 25, 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. 542 (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 January 31, 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.

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 January 31, 2022, was negative $6,944,692. This amount is negative primarily 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 January 31, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	$ 3,897,988	$ 3,098,568
Capital assets	18,703,020	18,573,609
Total assets	22,601,008	21,672,177
Current liabilities	1,279,770	1,346,274
Long-term liabilities	26,562,939	25,421,501
Total liabilities	27,842,709	26,767,775
Total deferred inflows of resources	1,702,991	928,566
Net position		
Net investment in capital assets	(4,209,851)	(3,006,313)
Restricted	98,483	215,371
Unrestricted	(2,833,324)	(3,233,222)
Total net position	$ (6,944,692)	$ (6,024,164)

The total net position of the District decreased during the current fiscal year by $920,528. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Property taxes, penalties and interest	$ 954,501	$ 570,959
Water and sewer service	549,075	464,890
Participant billings	858,337	578,711
Other	91,704	343,580
Total revenues	2,453,617	1,958,140
Expenses		
Current service operations	2,060,940	1,571,495
Debt interest and fees	274,258	162,808
Developer interest	349,126	504,838
Debt issuance costs	343,300	490,931
Depreciation and amortization	346,521	339,203
Total expenses	3,374,145	3,069,275
Change in net position before other item	(920,528)	(1,111,135)
Other item		
Transfers to other governments		(298,870)
Change in net position	(920,528)	(1,410,005)
Net position, beginning of year	(6,024,164)	(4,614,159)
Net position, end of year	$ (6,944,692)	$ (6,024,164)

Financial Analysis of the District's Funds

The District's combined fund balances, as of January 31, 2022, were $1,096,215, which consists of $832,353 in the General Fund, $205,552 in the Debt Service Fund, $47,859 in the Capital Projects Fund, and $10,451 in the Joint Wastewater Treatment Plant Fund.

General Fund

A comparative summary of the General Fund's financial position as of January 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 3,063,953	$ 2,179,143
Total liabilities	$ 871,814	$ 848,267
Total deferred inflows	1,359,786	767,987
Total fund balance	832,353	562,889
Total liabilities, deferred inflows and fund balance	$ 3,063,953	$ 2,179,143

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

	2022	2021
Total revenues	$ 1,413,229	$ 1,377,475
Total expenditures	(1,143,765)	(937,704)
Revenues over expenditures	$ 269,464	$ 439,771

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. The 2020 levy was recognized as revenues in the 2022 fiscal year, while the 2019 levy was recognized in the 2021 fiscal year (to the extent that these amounts were collected). 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 surface water 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.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of January 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 571,217	$ 486,180
Total liabilities	$ 22,420	$ 11,228
Total deferred inflows	343,245	160,579
Total fund balance	205,552	314,373
Total liabilities, deferred inflows and fund balance	$ 571,217	$ 486,180

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

	2022	2021
Total revenues	$ 181,880	$ 990
Total expenditures	(290,701)	(85,859)
Revenues under expenditures	(108,821)	(84,869)
Other changes in fund balance		233,203
Net change in fund balance	$ (108,821)	$ 148,334

The District's financial resources in the Debt Service Fund in the current year are from property tax revenues. During the previous fiscal year, financial resources were primarily from capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in changes 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 January 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 50,057	$ 319,477
Total liabilities	$ 2,198	$ 274,009
Total fund balance	47,859	45,468
Total liabilities and fund balance	$ 50,057	$ 319,477

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

	2022	2021
Total revenues	$ 110	$ 4,011
Total expenditures	(3,819,883)	(5,520,014)
Revenues under expenditures	(3,819,773)	(5,516,003)
Other changes in fund balance	3,822,164	5,519,797
Net change in fund balance	$ 2,391	$ 3,794

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 Bonds in the current year and issuance of its Series 2020 Unlimited Tax Bonds in the prior year.

Joint Wastewater Treatment Plant Fund

The Joint Wastewater Treatment Plant Fund is used to account for the operating and maintenance costs of a joint wastewater treatment plant in accordance with the District's contract with Harris County Municipal District No. 558 (see Note 11).

A comparative summary of the Joint Wastewater Treatment Plant Fund's financial position as of January 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 69,194	$ 28,242
Total liabilities	$ 58,743	$ 28,242
Total fund balance	10,451	
Total liabilities and fund balance	$ 69,194	$ 28,242

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	$ 190,145	$ 108,259
Total expenditures	(179,694)	(108,259)
Revenues over/(under) expenditures	$ 10,451	$ -

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 and each participating District's pro-rata share. During the current year, the District recognized prepaids in connection with the lease of the wastewater treatment plant. This resulted in an increase in fund balance in the current year.

Joint Water Plant Fund

The Joint Water Plant Fund is used to account for the operating and maintenance costs of a joint water plant in accordance with the District's contract with Harris County Municipal District No. 558 (see Note 11).

A comparative summary of the Joint Water Plant Fund's financial position as of January 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	$ 143,567	$ 85,526
Total liabilities	$ 143,567	$ 85,526

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

	2022	2021
Total revenues	$ 668,211	$ 470,516
Total expenditures	(668,211)	(470,516)
Revenues over/(under) expenditures	$ -	$ -

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 and each participating District's pro-rata share. Consequently, revenues will equal expenditures each year.

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 $224,539 less than budgeted. The *Budgetary Comparison Schedule* on page 42 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.

Capital assets held by the District at January 31, 2022 and 2021 are summarized as follows:

	2022	2021
Capital assets not being depreciated		
Land and improvements	$ 4,709,580	$ 5,084,443
Capital assets being depreciated		
Infrastructure	13,684,118	13,354,803
Capacity charges	122,690	122,690
Landscaping improvements	799,530	799,530
Right-to-use leased asset - wastewater treatment plant	521,480	
	15,127,818	14,277,023
Less accumulated depreciation		
Infrastructure	(998,206)	(694,115)
Capacity charges	(16,244)	(13,790)
Landscaping improvements	(119,928)	(79,952)
Right-to-use leased asset - wastewater treatment plant		
	(1,134,378)	(787,857)
Depreciable capital assets, net	13,993,440	13,489,166
Capital assets, net	$ 18,703,020	$ 18,573,609

Capital asset additions during the current year include the following:

- Remote water collection line
- Rose Meadow Farms, Section 4 – clearing and grubbing

Harris County assumes responsibility for public roads constructed within the county. 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.

Lease Obligations

On November 19, 2020, the District entered into a 60-month lease for a wastewater treatment plant phase II expansion (the "WWTP") with payments due to commerce once the WWTP reaches substantial construction completion. During the current year, the District prepaid $20,900 for the first and last month's lease payments. The balance due under the lease as of January 31, 2022, was $521,480.

Long-Term Debt and Related Liabilities

As of January 31, 2022, the District owes approximately $13,030,418 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 6, the District has an additional commitment in the amount of $6,156,087 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 developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At January 31, 2022 and 2021, the District had total bonded debt outstanding as shown below:

Series	2022	2021
2019 Road	$ 3,155,000	$ 3,155,000
2020	5,950,000	5,950,000
2021	3,980,000	
	$ 13,085,000	$ 9,105,000

During the current year, the District issued $3,980,000 in unlimited tax bonds. At January 31, 2022, the District had $165,070,000 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 the refunding of such bonds; $20,000,000 for parks and recreational facilities and the refunding of such bonds; $26,845,000 for road improvements and the refunding of such bonds.

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	$ 1,413,229	$ 2,104,302
Total expenditures	(1,143,765)	(1,330,480)
Revenues over expenditures	269,464	773,822
Beginning fund balance	562,889	832,353
Ending fund balance	$ 832,353	$ 1,606,175

Property Taxes

The District's property tax base increased approximately $61,227,000 for the 2021 tax year from $70,788,335 to $132,014,841. This increase was primarily due to new construction in the District and increased property values. For the 2021 tax year, the District has levied a maintenance tax rate of $1.03 per $100 of assessed value, a debt service tax rate of $0.17 per $100 of assessed value, and a road debt service tax rate of $0.09 per $100 of assessed value, for a total combined tax rate of $1.29 per $100. Tax rates for the 2020 tax year were $1.10 per $100 for maintenance and operations, $0.13 per $100 for debt service, and $0.10 per $100 for road debt service, for a combined total of $1.33 per $100 of assessed value.

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Basic Financial Statements

Harris County Municipal Utility District No. 542
Statement of Net Position and Governmental Funds Balance Sheet
January 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Wastewater Treatment Plant Fund	Joint Water Plant Fund
Assets					
Cash	$ 125,764	$ 1,223,485	$ 380	$ 33,032	$ 110,020
Investments	1,756,724	256,279	34,064		
Taxes receivable	106,644	26,918			
Customer service receivables	57,612				
Due from other governments	69		15,613	10,132	18,390
Internal balances	935,465	(935,465)			
Prepaid items	4,989			26,030	15,157
Other receivables	3,713				
Operating reserves	72,973				
Capital assets not being depreciated					
Capital assets, net					
Total Assets	$ 3,063,953	$ 571,217	$ 50,057	$ 69,194	$ 143,567
Liabilities					
Accounts payable	$ 75,645	$ -	$ 2,198	$ 30,679	$ 36,888
Other payables	8,209	15,248			
Construction advances	637,142				
Customer deposits	148,418				
Unearned revenue	2,400				
Operating reserve				28,064	106,679
Accrued interest payable		7,172			
Due to developer					
Lease obligations					
Due within one year					
Due after one year					
Long-term debt					
Due after one year					
Total Liabilities	871,814	22,420	2,198	58,743	143,567
Deferred Inflows of Resources					
Deferred property taxes	1,359,786	343,245			
Fund Balances/Net Position					
Fund Balances					
Nonspendable	77,962			10,451	
Restricted		205,552	47,859		
Unassigned	754,391				
Total Fund Balances	832,353	205,552	47,859	10,451	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,063,953	$ 571,217	$ 50,057	$ 69,194	$ 143,567
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Total	Adjustments	Statement of Net Position
$ 1,492,681	$ -	$ 1,492,681
2,047,067		2,047,067
133,562		133,562
57,612		57,612
44,204		44,204
46,176		46,176
3,713		3,713
72,973		72,973
	4,709,580	4,709,580
	13,993,440	13,993,440
$ 3,897,988	18,703,020	22,601,008
$ 145,410		145,410
23,457		23,457
637,142		637,142
148,418		148,418
2,400		2,400
134,743		134,743
7,172	107,069	114,241
	13,030,418	13,030,418
	73,959	73,959
	447,521	447,521
	13,085,000	13,085,000
1,098,742	26,743,967	27,842,709
1,703,031	(40)	1,702,991
88,413	(88,413)	
253,411	(253,411)	
754,391	(754,391)	
1,096,215	(1,096,215)	
$ 3,897,988		
	(4,209,851)	(4,209,851)
	98,483	98,483
	(2,833,324)	(2,833,324)
	$ (6,944,692)	$ (6,944,692)

Harris County Municipal Utility District No. 542
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended January 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Wastewater Treatment Plant Fund	Joint Water Plant Fund
Revenues					
Water service	$ 113,263	$ -	$ -	$ -	$ -
Sewer service	179,185				
Property taxes	778,481	162,773			
Penalties and interest	7,597	5,608			
Surface water fees	256,627				
Participant billings				190,140	668,197
Tap connection and inspection	75,076				
Miscellaneous	287	12,996		5	14
Investment earnings	2,713	503	110		
Total Revenues	1,413,229	181,880	110	190,145	668,211
Expenditures/Expenses					
Current service operations					
Purchased services	455,343				
Professional fees	213,965		53,190	33,884	10,551
Contracted services	298,123	17,364		71,522	28,212
Repairs and maintenance	110,139			56,836	68,844
Utilities	2,603			14,758	43,990
Surface water					506,225
Administrative	36,804	2,412		2,470	10,082
Other	18,180	4,736	176	224	307
Capital outlay	8,608		3,074,091		
Debt service					
Interest and fees		266,189			
Developer interest			349,126		
Debt issuance costs			343,300		
Depreciation and amortization					
Total Expenditures/Expenses	1,143,765	290,701	3,819,883	179,694	668,211
Revenues Over/(Under) Expenditures	269,464	(108,821)	(3,819,773)	10,451	
Other Financing Sources/(Uses)					
Proceeds from sale of bonds			3,980,000		
Repayment of operating advances			(157,836)		
Net Change in Fund Balances	269,464	(108,821)	2,391	10,451	
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	562,889	314,373	45,468		
End of the year	$ 832,353	$ 205,552	$ 47,859	$ 10,451	$ -

See notes to basic financial statements.

Total	Adjustments	Statement of Activities
$ 113,263	$ -	$ 113,263
179,185		179,185
941,254	42	941,296
13,205		13,205
256,627		256,627
858,337		858,337
75,076		75,076
13,302		13,302
3,326		3,326
2,453,575	42	2,453,617
455,343		455,343
311,590		311,590
415,221		415,221
235,819		235,819
61,351		61,351
506,225		506,225
51,768		51,768
23,623		23,623
3,082,699	(3,082,699)	
266,189	8,069	274,258
349,126		349,126
343,300		343,300
	346,521	346,521
6,102,254	(2,728,109)	3,374,145
(3,648,679)	2,728,151	(920,528)
3,980,000	(3,980,000)	
(157,836)	157,836	
173,485	(173,485)	
	(920,528)	(920,528)
922,730	(6,946,894)	(6,024,164)
$ 1,096,215	$ (8,040,907)	$ (6,944,692)

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 542 (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, created and established pursuant to an order of pursuant to an order of the Texas Commission on Environmental Quality dated January 8, 2016, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 2, 2016 and the first bonds were issued on November 7, 2019.

The District's primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District also has the authority to construct parks and recreational facilities and road improvements within the boundaries of the District. 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, drainage, and road facilities. Additionally, pursuant to the Joint Facilities Agreement with Harris County Municipal Utility District No. 558, this fund is used to account for the expenditure of advances received from participants for the construction of certain joint facilities. See Note 11 for additional information.
- The Joint Wastewater Treatment Plant Fund is used to account for the operations of the wastewater treatment plant jointly owned by the District and Harris County Municipal Utility District No. 558. See Note 11 for additional information.
- The Joint Water Plant Fund is used to account for the operations of the water plant jointly owned by the District and Harris County Municipal Utility District No. 558. See Note 11 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 January 31, 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 (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Capacity charges	50 years (max)
Landscaping improvements	20 years
Right-to-use leased asset	10 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. Additionally, collections of the 2021 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2021 property tax levy, which was levied to finance the 2023 fiscal year.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 balance consists of prepaid items and operating reserves paid to the Joint Wastewater Treatment Plant Fund and Joint Water Plant Fund for operation of the joint facilities.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 the 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.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balances, governmental funds		$ 1,096,215
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 19,837,398	
Less accumulated depreciation/amortization	(1,134,378)	
Change due to capital assets		18,703,020
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:		
Bonds payable	(13,085,000)	
Interest payable on bonds	(107,069)	
Change due to long-term debt		(13,192,069)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position.*		(13,030,418)
Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(521,480)
The unavailable portion of property taxes receivable and collections of the 2021 property tax levy are reported as deferred inflows in the fund financial statements. In the government-wide financial statements, however, deferred inflows consist of the entire 2021 property tax levy.		
Fund level deferred property taxes	1,703,031	
Government-wide level deferred property taxes	(1,702,991)	
		40
Total net position - governmental activities		$ (6,944,692)

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

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 173,485
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.		42
Governmental funds report capital outlays for developer reimbursements and construction costs 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	$ 3,082,699	
Depreciation/amortization expense	(346,521)	
		2,736,178
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 position. Other elements of debt financing are reported differently between the fund and government-wide financial statements.		
Issuance of long term debt	(3,980,000)	
Interest expense accrual	(8,069)	
		(3,988,069)
Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position.*		157,836
Change in net position of governmental activities		$ (920,528)

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 January 31, 2022, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	$ 650,000	32%	N/A	N/A
Texas CLASS	General	1,106,724			
	Debt Service	256,279			
	Capital Projects	34,064			
		1,397,067	68%	AAAm	48 days
Total		$ 2,047,067	100%		

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

Texas CLASS

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). 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 Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS 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.

Note 3 – Deposits and Investments (continued)

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.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at January 31, 2022, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 935,465	Maintenance tax collections 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.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended January 31, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 5,084,443	$ (374,863)	$ 4,709,580
Capital assets being depreciated/amortized			
Infrastructure	13,354,803	329,315	13,684,118
Capacity charges	122,690		122,690
Landscaping improvements	799,530		799,530
Right-to-use leased asset - wastewater treatment plant		521,480	521,480
	14,277,023	850,795	15,127,818
Less accumulated depreciation/amortization			
Infrastructure	(694,115)	(304,091)	(998,206)
Capacity charges	(13,790)	(2,454)	(16,244)
Landscaping improvements	(79,952)	(39,976)	(119,928)
Right-to-use leased asset - wastewater treatment plant			
	(787,857)	(346,521)	(1,134,378)
Subtotal depreciable capital assets, net	13,489,166	504,274	13,993,440
Capital assets, net	$ 18,573,609	$ 129,411	$ 18,703,020

Note 5 – Capital Assets (continued)

Depreciation/amortization expense for the current year was $346,521.

Note 6 – 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 have advanced 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 developer is reimbursed.

One of the District's developers has also advanced fund 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 year	$ 16,316,501
Developer funded construction adjustments	(54,156)
Repayment of operating advances	(157,836)
Amounts paid to developers	(3,074,091)
Due to developers, end of year	$ 13,030,418

In addition, the District will owe the developers approximately $6,156,087, 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
Remote Water Well No.3	$ 853,143	$ 461,327	$ 391,816
Wastewater Treatment Plant, Phase 2	250,638	97,268	153,370
Amira Section 19 - utilities	1,330,605	1,097,338	233,267
Amira Section 20 and Cypress Heights, utilities	1,116,716	939,117	177,599
Amira Section 21 - utilities	559,600	486,091	73,509
Cypress Heights Drive Phase 1 - paving	427,226		427,226
Detention Pond C Expansion	741,504	633,319	108,185
Rose Meadow Farms Section 4 - utilities	876,655		876,655
	$ 6,156,087	$ 3,714,460	$ 2,441,627

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 13,085,000
Due within one year	$ -

The District's bonds payable at January 31, 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
2019 Road	$ 3,155,000	$ 3,155,000	2.00% - 3.25%	April 1, 2023/2046	April 1, October 1	April 1, 2024
2020	5,950,000	5,950,000	2.00% - 4.50%	April 1, 2024/2048	April 1, October 1	April 1, 2025
2021	3,980,000	3,980,000	2.50% - 5.00%	April 1, 2024/2049	April 1, October 1	April 1, 2026
	$ 13,085,000					

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 January 31, 2022, the District had authorized but unissued bonds in the amount of $165,070,000 for water, sewer and drainage facilities and the refunding of such bonds; $20,000,000 for park and recreational facilities and the refunding of such bonds; and $26,845,000 for road facilities and the refunding of such bonds.

On November 23, 2021, the District issued its $3,980,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.955019%. Proceeds of the bonds were used to reimburse a developer for operating advances and the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	$ 9,105,000
Bonds issued	3,980,000
Bonds payable, end of year	$ 13,085,000

Note 7 – Long-Term Debt (continued)

As of January 31, 2022, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	$ -	$ 357,584	$ 357,584
2024	50,000	366,863	416,863
2025	300,000	359,964	659,964
2026	325,000	346,864	671,864
2027	325,000	333,425	658,425
2028	375,000	319,988	694,988
2029	375,000	307,038	682,038
2030	400,000	294,113	694,113
2031	400,000	282,025	682,025
2032	450,000	270,988	720,988
2033	450,000	259,613	709,613
2034	450,000	248,113	698,113
2035	500,000	236,363	736,363
2036	500,000	224,222	724,222
2037	500,000	211,941	711,941
2038	550,000	198,925	748,925
2039	550,000	184,925	734,925
2040	575,000	170,253	745,253
2041	625,000	154,363	779,363
2042	625,000	137,503	762,503
2043	650,000	120,176	770,176
2044	650,000	102,550	752,550
2045	675,000	84,581	759,581
2046	725,000	65,362	790,362
2047	755,000	44,743	799,743
2048	525,000	27,388	552,388
2049	550,000	13,450	563,450
2050	230,000	3,163	233,163
	$ 13,085,000	$ 5,726,486	$ 18,811,486

Note 8 – Property Taxes

On May 7, 2016, 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.

Note 8 – Property Taxes (continued)

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 2020 tax levy, pursuant to which the District levied property taxes of $1.33 per $100 of assessed value, of which $1.10 was allocated to maintenance and operations, $0.13 was allocated to debt service, and $0.10 was allocated to road debt service. The resulting tax levy was $941,485 on the adjusted taxable value of $70,788,335.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2021 levy collections in the amount of $1,569,469 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2021 tax levy of $1,702,991 is reported as deferred inflows. These amounts will be recognized as revenue in 2023.

Total property taxes receivable, at January 31, 2022, consisted of the following:

Current year taxes receivable	$ 133,522
Prior years taxes receivable	40
Property taxes receivable	$ 133,562

Note 9 – Lease Agreement

On November 19, 2020, the District entered into a lease agreement for a wastewater treatment plant (the "WWTP"). This lease is for a 60-month term, unless otherwise terminated. The lease agreement shall automatically be extended and shall continue under the same terms and conditions for successive 90-day periods after the initial term until the District submits a 90-day written notice of intent to cancel and terminate the lease agreement. The District has the option to purchase the leased property at certain intervals during the term and following the expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment.

Monthly payments for the lease are $10,450 for the first 60 months and then $8,850 for all months after.

As required by GASB 87, the District recognized an intangible asset for the right-to-use the underlying leased asset in the amount of $521,480, which is based on the measurement of the associated lease liability. The initial lease liability at the present value of future lease payments using the implicit rate of 7.5%. This long-term liability is reduced as the lease is paid.

Note 9 – Lease Agreement (continued)

Future minimum leases payments as of January 31, 2022 for term leases are as follows:

Year	Principal	Interest	Total
2023	$ 73,959	$ 30,541	$ 104,500
2024	95,049	30,351	125,400
2025	102,431	22,969	125,400
2026	110,383	15,017	125,400
2027	118,953	6,447	125,400
2028	20,705	195	20,900
	$ 521,480	$ 105,520	$ 627,000
Due within one year	$ 73,959	$ 30,541	$ 104,500

Standard lease terms require the District to prepay the last month's lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position.*

Note 10 – Water Service, Interconnect and Utility Site Construction Agreement

On August 29, 2016, the District entered into a Water Service, Interconnect and Utility Site Construction Agreement (the "Agreement") with HMW Special Utility District ("HMW SUD") for purchase of water supply capacity from HMW SUD. The District has agreed to fund the construction of HMW SUD's water plant expansion in consideration for the purchase of capacity sufficient to serve 219 equivalent single-family connections in the District. Under the terms of the agreement, the District is responsible for the design and construction, at its sole cost and expense, of the facilities necessary to connect its water distribution system to the HMW SUD water plant. Each district is responsible for acquiring, constructing, operating and maintaining, at their sole cost and expense, a water distribution system appropriate for serving such district. This agreement is for a 50-year term, unless otherwise terminated.

HMW SUD is responsible for the operation and maintenance of the water plant and will sell water to the District at a wholesale rate of $4.00 per 1,000 gallons.

Note 11 – Utility Agreement with Harris County Municipal District No. 558

Effective August 1, 2018, the District entered into a Utility Agreement (the "Agreement") to share certain District facilities which include the water plant and the wastewater treatment plant so that such District facilities can serve the Harris County Municipal Utility District No. 558 ("MUD 558") tract. This agreement is for a 50-year term, unless otherwise terminated. Under this Agreement, the District will design and construct a water plant and wastewater treatment plant to serve the District and MUD 558. Construction costs are allocated based on each district proportionate share of capacity for each phase of the water plant and wastewater treatment plant. The District agrees to sell capacity in the water plant and wastewater treatment plant to MUD 558. The District will operate and maintain the water plant and wastewater treatment plant and bill MUD 558 for its pro-rata share of the monthly maintenance costs for both plants.

Joint Wastewater Treatment Plant

The District established a Joint Wastewater Treatment Plant Fund to account for the operating and maintenance costs of the joint wastewater treatment plant. These costs are allocated to each participant based on their pro-rata share of capacity in the plant. During the current year, MUD 558 was billed $95,070 and the District was billed $95,070 for their respective share of operation and maintenance costs. Additionally, the District established an operating reserve of two months of budgeted operating expenses to provide liquidity. MUD 558 paid $14,032 toward the operating reserve and the District paid $14,032.

Joint Water Plant

The District established a Joint Water Plant Fund to account for the operating and maintenance costs of the joint water plant. These costs are allocated to each participant based on their pro-rata share of capacity in each phase of the plant. During the current year, MUD 558 was billed $299,315 and the District was billed $368,882 for their respective share of operation and maintenance costs. Additionally, the District established an operating reserve of two months of budgeted operating expenses to provide liquidity. MUD 558 paid $47,739 toward the operating reserve and the District paid $58,940.

Note 12 – Construction Advance for 9.99-Acre Annexation Tract

During the last fiscal year, the District entered into an agreement with Rausch Coleman Houston, LLC for utility capacity to serve a 9.99-acre tract proposed for single-family development (52-lots) as Rose Meadow Farms, Section 4. Pursuant to the agreement, the District received a construction advance in the amount of $636,584 to provide funds for the construction of facilities to serve the tract. The District has not incurred any costs related to the project.

Note 13 – 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.

Required Supplementary Information

Harris County Municipal Utility District No. 542
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended January 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	$ 162,800	$ 113,263	$ (49,537)
Sewer service	172,500	179,185	6,685
Property taxes	722,192	778,481	56,289
Penalties and interest	12,000	7,597	(4,403)
Tap connection and inspection	279,500	75,076	(204,424)
Surface water fees	295,427	256,627	(38,800)
Miscellaneous	1,000	287	(713)
Investment earnings	1,264	2,713	1,449
Total Revenues	1,646,683	1,413,229	(233,454)
Expenditures			
Current service operations			
Purchased services	437,805	455,343	(17,538)
Professional fees	183,500	213,965	(30,465)
Contracted services	405,620	298,123	107,497
Repairs and maintenance	69,220	110,139	(40,919)
Utilities	2,400	2,603	(203)
Administrative	31,135	36,804	(5,669)
Other	23,000	18,180	4,820
Capital outlay		8,608	(8,608)
Total Expenditures	1,152,680	1,143,765	8,915
Revenues Over Expenditures	494,003	269,464	(224,539)
Fund Balance			
Beginning of the year	562,889	562,889	
End of the year	$ 1,056,892	$ 832,353	$ (224,539)

Harris County Municipal Utility District No. 542
Required Supplementary Information - Budgetary Comparison Schedule - Joint Wastewater Treatment Plant Fund
For the Year Ended January 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	$ 168,370	$ 190,140	$ 21,770
Miscellaneous	20	5	(15)
Total Revenues	168,390	190,145	21,755
Expenditures			
Professional fees	44,500	33,884	10,616
Contracted services	61,200	71,522	(10,322)
Repairs and maintenance	45,000	56,836	(11,836)
Utilities	15,000	14,758	242
Administrative	2,539	2,470	69
Other	151	224	(73)
Total Expenditures	168,390	179,694	(11,304)
Revenues Over Expenditures		10,451	10,451
Fund Balance			
Beginning of the year			
End of the year	$ -	$ 10,451	$ 10,451

Harris County Municipal Utility District No. 542
Required Supplementary Information - Budgetary Comparison Schedule - Joint Water Plant Fund
For the Year Ended January 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	$ 640,034	$ 668,197	$ 28,163
Miscellaneous	40	14	(26)
Total Revenues	640,074	668,211	28,137
Expenditures			
Current service operations			
Professional fees	12,750	10,551	2,199
Contracted services	30,500	28,212	2,288
Repairs and maintenance	30,000	68,844	(38,844)
Utilities	40,000	43,990	(3,990)
Surface water	486,100	506,225	(20,125)
Administrative	40,544	10,082	30,462
Other	180	307	(127)
Total Expenditures	640,074	668,211	(28,137)
Revenues Over/(Under) Expenditures			
Fund Balance			
Beginning of the year			
End of the year	$ -	$ -	$ -

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund, the Joint Wastewater Treatment Plant Fund, and the Joint Water 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. 542
TSI-1. Services and Rates
January 31, 2022

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

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

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

[ ] Other (Specify): ____________

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	$ 12.00	5,000	N	$ 1.50	5,001	to	10,000
				$ 2.25	10,001	to	20,000
				$ 3.00	20,001	to	30,000
				$ 3.75	30,001	to	no limit
Wastewater:	$ 30.00	-0-	Y			to	
Surface water:	$ 5.06	1,000	N	$ 5.06	1,001	to	no limit

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 70.10 Wastewater $ 30.00

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"	432	430	x 1.0	430
1"	6	6	x 2.5	15
1.5"			x 5.0	
2"	88	88	x 8.0	704
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	526	524		1,149
Total Wastewater	517	515	x 1.0	515

See accompanying auditor's report.

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

Gallons pumped into system:	110,886,000	
Gallons purchased*:	77,000	
Gallons billed to customers:	51,230,000	Water Accountability Ratio: (Gallons billed and sold / Gallons pumped)
Gallons sold to others:	53,002,000	93.93%

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

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

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

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

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

City(ies) in which the District is located: City of Houston

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

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: Houston

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

If Yes, by whom? ______

*Purchased from HMW SUD
See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-2 General Fund Expenditures
For the Year Ended January 31, 2022

Purchased services	$ 455,343
Professional fees	
Legal	173,962
Audit	11,500
Engineering	28,503
	213,965
Contracted services	
Bookkeeping	33,744
Operator	12,516
Garbage collection	117,554
Tap connection and inspection	64,055
Tax assessment and collection	2,082
Security	68,172
	298,123
Repairs and maintenance	110,139
Utilities	2,603
Administrative	
Directors fees	14,976
Printing and office supplies	6,594
Insurance	4,935
Other	10,299
	36,804
Other	18,180
Capital outlay	8,608
Total expenditures	$ 1,143,765

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	14,896 kWh	$ 2,603
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-3. Investments
January 31, 2022

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
Texas CLASS	Variable	N/A	$ 469,582
Texas CLASS	Variable	N/A	637,142
Certificate of deposit	0.25%	02/27/22	75,000
Certificate of deposit	0.38%	01/28/23	100,000
Certificate of deposit	0.40%	06/16/22	75,000
Certificate of deposit	0.20%	08/15/22	75,000
Certificate of deposit	0.20%	03/30/22	75,000
Certificate of deposit	0.75%	02/01/22	100,000
Certificate of deposit	0.20%	07/16/22	75,000
Certificate of deposit	0.20%	05/04/22	75,000
			1,756,724
Debt Service			
Texas CLASS	Variable	N/A	80,560
Texas CLASS	Variable	N/A	175,719
			256,279
Capital Projects			
Texas CLASS	Variable	N/A	19,027
Texas CLASS	Variable	N/A	11,118
Texas CLASS	Variable	N/A	537
Texas CLASS	Variable	N/A	3,382
			34,064
Total - All Funds			$ 2,047,067

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-4. Taxes Levied and Receivable
January 31, 2022

	Maintenance Taxes	Road Debt Service	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 177,985	$ 16,180	$ 21,035	$ 215,200
Adjustments to Prior Year Tax Levy	10,494	973	1,263	12,730
Adjusted Receivable	188,479	17,153	22,298	227,930
2021 Original Tax Levy	1,204,214	105,223	198,754	1,508,191
Adjustments	155,539	13,590	25,671	194,800
Adjusted Tax Levy	1,359,753	118,813	224,425	1,702,991
Total to be accounted for	1,548,232	135,966	246,723	1,930,921
Tax collections:				
Current year	1,253,142	109,498	206,829	1,569,469
Prior years	188,446	17,149	22,295	227,890
Total Collections	1,441,588	126,647	229,124	1,797,359
Taxes Receivable, End of Year	$ 106,644	$ 9,319	$ 17,599	$ 133,562
Taxes Receivable, By Years				
2021	$ 106,611	$ 9,315	$ 17,596	$ 133,522
2020	33	4	3	40
Taxes Receivable, End of Year	$ 106,644	$ 9,319	$ 17,599	$ 133,562

	2021	2020	2019	2018
Property Valuations:				
Land	$ 31,708,749	$ 29,091,736	$ 19,812,766	$ 17,212,743
Improvements	104,001,190	44,171,924	26,369,755	9,109,108
Personal Property	822,179	614,837	489,450	297,877
Exemptions	(4,517,277)	(3,090,162)	(5,060,249)	(3,645,886)
Total Property Valuations	$ 132,014,841	$ 70,788,335	$ 41,611,722	$ 22,973,842
Tax Rates per $100 Valuation:				
Maintenance tax rates *	$ 1.03	$ 1.10	$ 1.35	$ 1.35
Road debt service tax rates	0.09	0.10		
Debt service tax rates	0.17	0.13		
Total Tax Rates per $100 Valuation	$ 1.29	$ 1.33	$ 1.35	$ 1.35
Adjusted Tax Levy:	$ 1,702,991	$ 941,485	$ 561,758	$ 310,147
Percentage of Taxes Collected to Taxes Levied **	92.16%	99.99%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 7, 2016
* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 7, 2016
** 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. 542
TSI-5. Long-Term Debt Service Requirements
Series 2019 Road--by Years
January 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2023	$ -	$ 94,538	$ 94,538
2024	50,000	94,038	144,038
2025	50,000	93,013	143,013
2026	75,000	91,663	166,663
2027	75,000	89,975	164,975
2028	100,000	87,913	187,913
2029	100,000	85,463	185,463
2030	100,000	82,913	182,913
2031	100,000	80,263	180,263
2032	125,000	77,163	202,163
2033	125,000	73,538	198,538
2034	125,000	69,788	194,788
2035	125,000	66,038	191,038
2036	125,000	62,288	187,288
2037	125,000	58,538	183,538
2038	150,000	54,319	204,319
2039	150,000	49,631	199,631
2040	150,000	44,850	194,850
2041	175,000	39,569	214,569
2042	175,000	33,881	208,881
2043	175,000	28,194	203,194
2044	175,000	22,506	197,506
2045	175,000	16,819	191,819
2046	200,000	10,725	210,725
2047	230,000	3,730	233,730
	$ 3,155,000	$ 1,511,356	$ 4,666,356

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2020 --by Years
January 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2023	$ -	$ 155,469	$ 155,469
2024		155,469	155,469
2025	150,000	152,094	302,094
2026	150,000	145,344	295,344
2027	150,000	138,594	288,594
2028	175,000	131,719	306,719
2029	175,000	124,719	299,719
2030	175,000	117,719	292,719
2031	175,000	112,031	287,031
2032	200,000	107,844	307,844
2033	200,000	103,844	303,844
2034	200,000	99,844	299,844
2035	225,000	95,594	320,594
2036	225,000	90,953	315,953
2037	225,000	86,172	311,172
2038	250,000	81,125	331,125
2039	250,000	75,656	325,656
2040	250,000	70,031	320,031
2041	275,000	64,125	339,125
2042	275,000	57,766	332,766
2043	300,000	50,938	350,938
2044	300,000	43,813	343,813
2045	300,000	36,687	336,687
2046	325,000	29,062	354,062
2047	325,000	20,938	345,938
2048	325,000	12,813	337,813
2049	350,000	4,375	354,375
	$ 5,950,000	$ 2,364,738	$ 8,314,738

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
Series 2021 --by Years
January 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2023	$ -	$ 107,577	$ 107,577
2024		117,356	117,356
2025	100,000	114,857	214,857
2026	100,000	109,857	209,857
2027	100,000	104,856	204,856
2028	100,000	100,356	200,356
2029	100,000	96,856	196,856
2030	125,000	93,481	218,481
2031	125,000	89,731	214,731
2032	125,000	85,981	210,981
2033	125,000	82,231	207,231
2034	125,000	78,481	203,481
2035	150,000	74,731	224,731
2036	150,000	70,981	220,981
2037	150,000	67,231	217,231
2038	150,000	63,481	213,481
2039	150,000	59,638	209,638
2040	175,000	55,372	230,372
2041	175,000	50,669	225,669
2042	175,000	45,856	220,856
2043	175,000	41,044	216,044
2044	175,000	36,231	211,231
2045	200,000	31,075	231,075
2046	200,000	25,575	225,575
2047	200,000	20,075	220,075
2048	200,000	14,575	214,575
2049	200,000	9,075	209,075
2050	230,000	3,163	233,163
	$ 3,980,000	$ 1,850,392	$ 5,830,392

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
January 31, 2022

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1, October 1	Total
2023	$ -	$ 357,584	$ 357,584
2024	50,000	366,863	416,863
2025	300,000	359,964	659,964
2026	325,000	346,864	671,864
2027	325,000	333,425	658,425
2028	375,000	319,988	694,988
2029	375,000	307,038	682,038
2030	400,000	294,113	694,113
2031	400,000	282,025	682,025
2032	450,000	270,988	720,988
2033	450,000	259,613	709,613
2034	450,000	248,113	698,113
2035	500,000	236,363	736,363
2036	500,000	224,222	724,222
2037	500,000	211,941	711,941
2038	550,000	198,925	748,925
2039	550,000	184,925	734,925
2040	575,000	170,253	745,253
2041	625,000	154,363	779,363
2042	625,000	137,503	762,503
2043	650,000	120,176	770,176
2044	650,000	102,550	752,550
2045	675,000	84,581	759,581
2046	725,000	65,362	790,362
2047	755,000	44,743	799,743
2048	525,000	27,388	552,388
2049	550,000	13,450	563,450
2050	230,000	3,163	233,163
	$ 13,085,000	$ 5,726,486	$ 18,811,486

See accompanying auditor's report.

	Bond Issue			
	Series 2019 Road	Series 2020	Series 2021	Totals
Interest rate	2.00% - 3.25%	2.00% - 4.50%	2.50% - 5.00%	
Dates interest payable	4/1; 10/1	4/1; 10/1	4/1; 10/1	
Maturity dates	4/1/23 - 4/1/46	4/1/24 - 4/1/48	4/1/24 - 4/1/49	
Beginning bonds outstanding	$ 3,155,000	$ 5,950,000	$ -	$ 9,105,000
Bonds issued			3,980,000	3,980,000
Ending bonds outstanding	$ 3,155,000	$ 5,950,000	$ 3,980,000	$ 13,085,000
Interest paid during fiscal year	$ 94,538	$ 181,380	$ -	$ 275,918
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 and Refunding	Park and Recreational Facilities Bonds and Refunding	Road Facilities Bonds and Refunding
Amount Authorized by Voters	$ 175,000,000	$ 20,000,000	$ 30,000,000
Amount Issued	(9,930,000)		(3,155,000)
Remaining To Be Issued	$ 165,070,000	$ 20,000,000	$ 26,845,000

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 January 31, 2022: $ 1,479,764

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 671,839

See accompanying auditor's report.

Harris County Municipal Utility District No. 542
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	$ 113,263	$ 118,884	$ 107,607	$ 97,046	$ 43,508
Sewer service	179,185	119,273	51,299	21,343	3,943
Property taxes	778,481	565,059	307,666	242,141	66841
Penalties and interest	7,597	9,011	10,333	11,258	6,377
Tap connection and inspection	75,076	333,755	123,180	127,865	62,140
Surface water fees	256,627	226,733	144,959	93,086	35,079
Miscellaneous	287	2,727	15,528	2,450	7,407
Investment earnings	2,713	2,033	543	3,019	91
Total Revenues	1,413,229	1,377,475	761,115	598,208	225,386
Expenditures					
Current service operations					
Purchased services	455,343	314,055	183,838	77,520	45,580
Professional fees	213,965	194,357	212,244	130,779	158,673
Contracted services	298,123	320,825	235,549	502,729	60,682
Repairs and maintenance	110,139	51,185	78,610	87,021	96,280
Utilities	2,603	1,932	4,386	9,066	207
Surface water				93,793	33,045
Administrative	36,804	27,801	21,197	19,578	14,434
Other	18,180	27,549	19,338	9,645	6,972
Lease			20,000	48,000	137,200
Capital outlay	8,608		227,970		222,065
Total Expenditures	1,143,765	937,704	1,003,132	978,131	775,138
Revenues Over/(Under) Expenditures	$ 269,464	$ 439,771	$ (242,017)	$ (379,923)	$ (549,752)
Total Active Retail Water Connections	524	465	214	123	44
Total Active Retail Wastewater Connections	515	462	207	118	37

* Percentage is negligible
See accompanying auditor's report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
8%	9%	14%	16%	19%
13%	9%	7%	4%	2%
54%	41%	40%	40%	29%
1%	1%	1%	2%	3%
5%	24%	16%	21%	28%
19%	16%	19%	16%	16%
*	*	3%	*	3%
*	*	*	1%	*
100%	100%	100%	100%	100%
32%	23%	24%	13%	20%
15%	14%	28%	22%	70%
21%	23%	31%	84%	27%
8%	4%	10%	15%	43%
*	*	1%	2%	*
			16%	15%
3%	2%	3%	3%	6%
1%	2%	3%	2%	3%
		3%	8%	61%
1%		30%		99%
81%	68%	133%	165%	344%
19%	32%	(33%)	(65%)	(244%)

Harris County Municipal Utility District No. 542
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Three Fiscal Years

	Amounts		
	2022	2021	2020
Revenues			
Property taxes	$ 162,773	$ -	$ -
Penalties and interest	5,608		
Miscellaneous	12,996		
Investment earnings	503	990	615
Total Revenues	181,880	990	615
Expenditures			
Tax collection services	19,776		
Other	4,736	25	17
Debt service			
Interest and fees	266,189	85,834	
Total Expenditures	290,701	85,859	17
Revenues Over/(Under) Expenditures	$ (108,821)	$ (84,869)	$ 598

See accompanying auditor's report.

Percent of Fund Total Revenues		
2022	2021	2020
90%		
3%		
7%		
*	100%	100%
100%	100%	100%
11%		
3%	3%	3%
146%	8670%	
160%	8673%	3%
(60%)	(8,573%)	97%

Harris County Municipal Utility District No. 542
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended January 31, 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):	May 26, 2021
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.0600)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members				
Sherri Sloan	3/2021 - 5/2024	$ 3,750	$ 1,432	President
Daniel Kinchen	5/2020 - 5/2024	2,250		Vice President
Nathan Utt	5/2021 - 5/2022	1,500		Secretary
Mark Shaffer	3/2021 - 5/2022	2,100		Assistant Secretary
Melvin Wachsmann	5/2020 - 5/2024	3,300	1,427	Assistant Vice President
Bobby Mauldin	5/2018 - 3/2021	150		Former Director
Kevin Reynolds	5/2018 - 5/2021	450		Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	2016			Attorney
General legal fees		$ 177,898		
Bond counsel		118,508		
Municipal District Services, LLC	2016	337,539		Operator
Municipal Accounts & Consulting, LP	2016	54,415		Bookkeeper
Assessments of the Southwest, Inc	2016	6,447		Tax Collector
Harris County Appraisal District	Legislation	1,932		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2017	8,590		Delinquent Tax Attorney
LJA Engineering, Inc	2017	331,576		Engineer
McGrath & Co., PLLC	2018	19,100		Auditor
Masterson Advisors LLC	2020			Financial Advisor
The GMS Group, LLC	2016	71,525		Financial Advisor

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

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT


HOMES FROM THE $200s - $500s+


HOMES FROM THE $200s
Rosehill Reserve


LENNAR


LENNAR


O PARKING FIRE LANE

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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