OFFICIAL STATEMENT DATED OCTOBER 4, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 2, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS – Qualified Tax Exempt Obligations."

NEW ISSUE – Book-Entry-Only

RATINGS: ***Moody's (Underlying)……………………….……"Baa3"***
S&P (Insured) ……………………….……..…. "AA"
Moody's (Insured) ……………………….……. "A1"
See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein

$2,080,000
HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 2

(A Political Subdivision of the State of Texas, located within Harris and Waller Counties)

UNLIMITED TAX BONDS, SERIES 2022

Dated: November 1, 2022
Interest Accrual: Date of Delivery (defined herein) Due: September 1, as shown below

The $2,080,000 Harris-Waller Counties Municipal Utility District No. 2 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are obligations solely of Harris-Waller Counties Municipal Utility District No. 2 (the "District"), and are not obligations of the State of Texas, the City of Katy, Harris County, Waller County, or any entity other than the District.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (sometimes hereinafter called the "Paying Agent" or the "Registrar"). Interest accrues from the date of delivery of the Bonds to the Initial Purchaser (expected to be on or about November 9, 2022) (the "Date of Delivery"), is payable beginning March 1, 2023, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in the denomination of $5,000 or any integral multiple thereof.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as herein defined under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

ASSURED GUARANTY MUNICIPAL

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount	Interest Rate [a]	Initial Reoffering Yield [b]	CUSIP 414641 [c]	Due (Sept. 1)	Principal Amount	Interest Rate [a]	Initial Reoffering Yield [b]	CUSIP 414641 [c]
2023	$120,000	7.500%	3.350%	JM3	2026	$30,000	7.750%	3.650%	JQ4
2024	25,000	7.500%	3.450%	JN1	2027	30,000	7.750%	3.750%	JR2
2025	25,000	7.750%	3.550%	JP6					

$150,000 Term Bond due September 1, 2032 [d] [e] Interest Rate 7.625% Initial Yield 3.750% [b] CUSIP No. 414641JW1 [c]
$225,000 Term Bond due September 1, 2039 [d] [e] Interest Rate 5.750% Initial Yield 4.400% [b] CUSIP No. 414641KD1 [c]
$1,475,000 Term Bond due September 1, 2052 [d] [e] Interest Rate 4.750% Initial Yield 4.900% [b] CUSIP No. 414641KH2 [c]

(a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Bonds, bearing interest as shown, at a price of 97.001572% of par, resulting in a net effective interest rate to the District of 5.048575%.
(b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchaser (hereinafter defined), and may subsequently be changed.
(c) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau, and are included solely for the convenience of the owners of the Bonds.
(d) The Bonds maturing on and after September 1, 2028 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2027, or any date thereafter, at a price equal to the par value thereof to the date fixed for redemption. See "THE BONDS – Redemption Provisions."
(e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory redemption on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

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

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about November 9, 2022.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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 the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 2400, Houston, Texas 77056, upon payment of the costs for duplication thereof.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or 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 condition 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 Initial Purchaser, as shown on the cover page hereof.

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

The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "GENERAL CONSIDERATIONS – Updating of Official Statement."

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

TABLE OF CONTENTS

SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the lowest net effective interest rate bid, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"), to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof at a price of 97.001572% of the principal amount thereof, which resulted in a net effective interest rate of 5.048575% as calculated pursuant to Chapter 1204, Texas Government Code.

Prices and Marketability

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

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

No Litigation

As a condition to delivery of the Bonds, the District will furnish a certificate executed by the President or Vice President and Secretary or Assistant Secretary of the Board that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the present officers and directors of the Board of Directors of the District.

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "A1" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp ("AGM" or the "Bond Insurer").

Additionally, Moody's has assigned the Bonds an underlying rating of "Baa3." An explanation of the significance of such ratings may be obtained from S&P and Moody's. These ratings reflect only the views of S&P and Moody's, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the sole judgment of S&P and/or Moody's circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds. See "BOND INSURANCE".

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

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

Capitalization of AGM

At June 30, 2022:

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

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 2022).

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

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 "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the bondholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Harris-Waller Counties Municipal Utility District No. 2 (the "District"), is a political subdivision of the State of Texas located within Harris and Waller Counties, Texas and wholly within the corporate limits of the City of Katy, Texas. See "THE DISTRICT – General."
Description	$2,080,000 Unlimited Tax Bonds, Series 2022, are dated November 1, 2022, and mature on September 1 in each of the years and in the principal amounts indicated on the cover page of this Official Statement (the "Bonds"). Interest accrues from the date of delivery of the Bonds to the Initial Purchaser (expected to be on or about November 9, 2022), and is payable beginning March 1, 2023, and each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of $5,000 of principal amount or integral multiples thereof. The Bonds maturing on or after September 1, 2028 are subject to redemption, in whole or from time to time in part, prior to their scheduled maturities, on September 1, 2027, or on any date thereafter, at the option of the District. The Bonds maturing on September 1 in each of the years 2032, 2039 and 2052 are term bonds (the "Term Bonds") are and subject to mandatory redemption as provided herein. See "THE BONDS – Redemption Provisions." Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof so called for redemption to the date of redemption. See "THE BONDS."
Book-Entry Only	The Bonds are initially issuable in book-entry only form and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, which will act as securities depository. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. See "BOOK-ENTRY-ONLY SYSTEM."
Source of Payment..........................	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source and Security for Payment," "TAX DATA – Tax Rate Calculations," and "RISK FACTORS – Maximum Impact on District Tax Rates."

Payment Record.............................	The District has previously issued $19,385,000 of unlimited tax bonds, for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities or road facilities, $18,090,000 of which remains outstanding as of the date of this Official Statement (the "Outstanding Bonds"). The District has never defaulted on the timely payment of the principal or interest on its previously issued bonds.
Use of Proceeds	The proceeds of the Bonds will be used to reimburse the Developer (as defined herein) for the District's share of: (1) construction, engineering and stormwater pollution prevention (SWPP) expenses for utilities within Falls at Green Meadows Section 8; (2) construction, engineering and SWPP expenses for utilities within Falls at Green Meadows Section 9; (3) land costs for Detention Facility "D" and Cane Island Branch Drainage Channel Ph. 2; and (4) capital recovery fees owed to the City of Katy for water and wastewater treatment capacity for Falls at Green Meadows Sections 8 and 9. The remaining proceeds will be used for (5) Developer interest accumulated on the proposed projects; and (6) bond issuance expenses.
Municipal Bond Ratings and Insurance................................	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "A1" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Additionally, Moody's has assigned the Bonds an underlying rating of "Baa3." An explanation of the significance of such ratings may be obtained from S&P and Moody's. These ratings reflect only the views of S&P and Moody's, and the District makes no representation as to the appropriateness of such ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the sole judgment of S&P and/or Moody's circumstances so warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the trading value and the market price of the Bonds. See "MUNICIPAL BOND RATING", "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."
Qualified Tax-Exempt Obligation ..	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS – Qualified Tax-Exempt Obligations."

THE DISTRICT

Description	The District, a political subdivision of the State of Texas, was created by an order of the Texas Commission on Environmental Quality ("TCEQ" or "Commission"), dated August 14, 2012. The District is located within the corporate limits of the City of Katy, approximately 1 mile north of downtown Katy, within western Harris County and southeastern Waller County. The District is located approximately 25 miles west of downtown Houston and approximately 2 miles northwest of the intersection of Interstate 10 and Katy-Fort Bend Road and is bordered by the existing Fawn Lakes subdivision to the north, Franz Road to the south, Avenue D to the east and the Cane Island Development to the west. The District contains approximately 241.67 acres. See "THE DISTRICT."
Authority for Issuance	At an election held within the District on November 6, 2012, the District voters authorized the issuance of $37,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the seventh issuance of bonds from such authorization. After the issuance of the Bonds, $18,395,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized by unissued. The Bonds are issued by the District pursuant

	to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ dated September 13, 2022. See "THE DISTRICT – General."
Infectious Disease Outbreak (COVID-19)	The purchase and ownership of the Bonds is subject to certain investment considerations, including certain factors related to the current COVID-19 pandemic. See "RISK FACTORS – Infectious Disease Outbreak (COVID-19)."
The Developer	The principal developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the "Developer"), which is a subsidiary of Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. See "THE DISTRICT" and "THE DEVELOPER."
Status of Development....................	As of August 31, 2022, the District contained 421 completed single family homes (2 unsold), 29 single family homes under construction, and 16 vacant lots on approximately 240.14 acres of developed land. There is no remaining vacant developable land within the District. See "THE DISTRICT – Status of Development."
Homebuilders	Homes within the District currently are being constructed by Lennar Homes and Westin Homes. Home prices range from approximately $380,000 to $560,000. See "THE DISTRICT – Homebuilders" and "Status of Development."
Legal Opinion................................	Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas
Engineer...	BGE, Inc., Houston, Texas
Financial Advisor	RBC Capital Markets, LLC, Houston Texas

RISK FACTORS

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

SUMMARY OF SELECTED FINANCIAL INFORMATION

(Unaudited)

2021 Certified Assessed Valuation	$133,861,012 [(a)]
2022 Certified Assessed Valuation	$165,825,265 [(a)]
Direct Debt (Includes the Bonds)	$20,170,000
Estimated Overlapping Debt	7,950,695 [(b)]
Direct and Estimated Overlapping Debt	$28,120,695
Operations Fund (as of August 2, 2022)	$425,891
Debt Service Balance (as of August 2, 2022)	$1,689,998
Capital Projects Fund (as of August 2, 2022)	$207,497
Direct Debt Ratios:	
as a percentage of 2021 Certified Assessed Valuation	15.07%
as a percentage of 2022 Certified Assessed Valuation	12.16%
Direct and Estimated Overlapping Debt Ratios	
as a percentage of 2021 Certified Assessed Valuation	21.01%
as a percentage of 2022 Certified Assessed Valuation	16.96%
2021 Tax Rate per $100 of Assessed Valuation	
Debt Service Tax	$0.80
Maintenance Tax	0.15
Total	$0.95
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (Calendar Years 2023 – 2052)	$1,070,803
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (Calendar Year 2023)	$1,187,476
Tax Rate per $100 of Assessed Valuation Required to pay the Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds at 95% Tax Collection	
Based Upon 2021 Certified Assessed Valuation	$0.85
Based Upon 2022 Certified Assessed Valuation	$0.68
Tax Rate per $100 of Assessed Valuation Required to pay Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds at 95% Tax Collection	
Based Upon 2021 Certified Assessed Valuation	$0.94
Based Upon 2022 Certified Assessed Valuation	$0.76
Connections as of August 31, 2022:	
Single-Family Residential	
Completed Homes Sold	419
Completed Homes Unsold	2
Homes Under Construction	29
Commercial	0
Other	0
Total	450
Estimated District Population	1,466 [(c)]

(a) As certified by the Harris County Appraisal District ("HCAD") and Waller County Appraisal District ("WCAD"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Texas Municipal Advisory Council. See "SELECTED FINANCIAL INFORMATION – Estimated Overlapping Debt Statement."

(c) Based upon 3.5 residents per occupied single family residential connection.

OFFICIAL STATEMENT
relating to

$2,080,000
HARRIS-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 2

UNLIMITED TAX BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Harris-Waller Counties Municipal Utility District No. 2 (the "District"), of its $2,080,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"). There follows in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District, c/o Schwartz, Page & Harding, L.L.P., Houston, Texas, upon request and payment of the costs of duplication therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated November 1, 2022, with interest payable on March 1, 2022, and on each September 1 and March 1 thereafter (each an "Interest Payment Date"), until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the date of delivery of the Bonds to the Initial Purchaser thereof (expected to be November 9, 2022), and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on November 6, 2012, voters of the District authorized a total of $37,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The Bonds constitute the seventh issuance of bonds from such authorization. After the issuance of the Bonds, a total of $18,395,000 in unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Texas Commission on Environmental Quality ("Commission" or "TCEQ") dated September 13, 2022. At the above described election, voters in the District also authorized a total of $5,500,000 in unlimited tax bonds for the purpose of acquiring or constructing road facilities and a total of $2,000,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. To date, the District has issued a total of $2,860,000 in unlimited tax bonds for the purpose of acquiring or constructing road facilities. See "Financing Road Facilities" and "Financing Recreational Facilities" below.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES". Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the City of Katy, Harris County, Waller County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sanitary sewer and drainage facilities ("Utility Bonds") from funds received to pay debt service on bonds issued to finance road facilities ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from Utility Bonds and Road Bonds. All proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of Utility Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Utility Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Utility Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Utility Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the Districts duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Utility Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Road Bonds, will not be allocated to the payment of the Bonds.

Record Date

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

Redemption Provisions

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

Mandatory Redemption: The Term Bonds maturing on September 1, 2032, 2039 and 2052, shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" above):

Term Bond 2032 – $150,000

Year of Redemption	Principal Amount
2028	$30,000
2029	30,000
2030	30,000
2031	30,000
2032 (maturity)	30,000

Term Bond 2039 – $225,000

Year of Redemption	Principal Amount
2033	$30,000
2034	35,000
2035	30,000
2036	30,000
2037	30,000
2038	35,000
2039 (maturity)	35,000

Term Bond 2052 – $1,475,000

Year of Redemption	Principal Amount
2040	$35,000
2041	35,000
2051	685,000
2052 (maturity)	720,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

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

Method of Payment of Principal and Interest

The Board of Directors of the District ("Board") has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial paying agent/registrar for the Bonds ("Paying Agent" or "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent. If the Paying Agent is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $37,000,000 in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $18,395,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $44,500,000 in unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which are authorized but unissued. The District's voters have also authorized the issuance of a total of $5,500,000 in unlimited tax bonds for the purpose of acquiring or constructing road facilities, of which $2,640,000 in principal amount remains authorized but unissued, and a total of $2,000,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remains unissued. The District's voters could authorize additional amounts.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "RISK FACTORS – Future Debt."

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

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the Commission and a successful District election to approve the issuance of road bonds payable from taxes. The Commission granted road powers to the District and, at an election held within the District on November 6, 2012, voters of the District authorized a total of $5,500,000 unlimited tax bonds for financing and constructing road facilities. The District has issued $2,860,000 in road bonds from said authorization and could issue additional amounts. See "–Issuance of Additional Debt" herein and "RISK FACTORS – Future Debt." Issuance of additional bonds for road facilities may dilute the security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on November 6, 2012, voters of the District authorized a total of $2,000,000 in unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remain unissued, and could authorize additional amounts. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Abolishment

Under Texas law, the District may be abolished and dissolved by the City of Katy without the District's consent. If the District is abolished, the City of Katy will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days thereafter. Prior to abolishment and dissolution by the City of Katy, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or by causing the City of Katy to sell bonds of the City of Katy in an amount necessary to discharge such obligations. Abolishment of the District by the City of Katy is a policymaking matter within the discretion of the Mayor and the City Council of the City of Katy, and, therefore, the District makes no representation that abolishment will or will not occur. Moreover, no representation is made concerning the ability of the City of Katy to make debt service payments should abolishment occur. See “UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY” regarding limitations on the City’s right to dissolve the District.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other’s bonds, notes and other obligations. If each district assumes the other’s bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If districts do not assume each other’s bonds, notes and other obligations, each district’s taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See “RISK FACTORS – Registered Owners’ Remedies and Bankruptcy.”

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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 District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Waller County, the City of Katy, or any political subdivision or agency other than the District, are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes, may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS – Source and Security for Payment," and "– Remedies in Event of Default."

Infectious Disease Outbreak (COVID-19)

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

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible 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.

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

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Factors Affecting Taxable Values and Tax Payments

The rate of development of the District and maintenance of taxable values are directly related to the vitality of the residential housing industry. New residential housing construction and appraised values of existing housing can be significantly affected by factors such as interest rates, construction costs, energy availability, oil prices, foreclosure rates, availability of mortgage financing, and consumer demand. The District cannot predict the pace or magnitude of any future development or construction in the District.

Interest rates and the availability of mortgage loans both have a direct impact on the level of housing construction activity. Long-term rates affect a home purchaser's ability to qualify for and to afford the total financing costs of a new home. High long-term interest rates or unavailability of credit may negatively affect home sales and the rate of growth of taxable property values in the District. Further, the short-term interest rates at which developers and builders are able to obtain financing for development and building costs may affect the developers' or builders' ability or willingness to complete development or building plans.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2022 Certified Assessed Valuation of property located within the District (see "TAX DATA") is $165,825,265. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be $1,187,476 (2023) and the Average Annual Debt Service Requirements will be $1,070,803 (2023 through 2052, inclusive). Assuming no increase to or decrease from the 2022 Certified Assessed Valuation, and no use of other District funds, tax rates of $0.76 and $0.68 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The Harris County and Waller County 2021 Certified Assessed Valuation of property located within the District, supplied by the Appraisal Districts, is $133,861,012. Assuming no increase to nor decrease from the 2021 Certified Assessed Valuation, tax rates of $0.94 and $0.85 per $100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. See "TAX DATA – Tax Rate Calculations."

Tax Collection Limitations

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

Finally, a 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 on two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six 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. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Extreme Weather Events; Hurricane Harvey

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

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

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

Specific Flood Type Risks

Ponding (or Pluvial) Flood.

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

Riverine (or Fluvial) Flood.

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial 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 Beneficial 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

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: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions 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, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay under 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 Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District reserves in the Bond Order the right to issue the remaining $18,395,000 in unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities, the $44,500,000 in unlimited tax refunding bonds, the $2,640,000 in unlimited tax bonds authorized but unissued for road facilities, the $2,000,000 in unlimited tax bonds authorized but unissued for recreational facilities, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. According to representatives of the Developer, the District will owe the Developer approximately $4,000,000 in qualifying reimbursable costs for recreational facilities following issuance of the Bonds; however, the District currently only has $2,000,000 in authorized but unissued unlimited tax bonds for recreational facilities.

Overlapping Taxes

To compare the relative tax burden on property within the District as contrasted with the property located in other real estate developments, the tax rate of the District and other taxing jurisdictions must be added. The composite tax rate in the District is higher than the composite tax rate of many competing developments in the general vicinity of the District. To the extent that such composite tax rate is not competitive with competing developments, the growth of property tax values in the District and the investment quality of the Bonds could be adversely affected.

Continuing Compliance with Certain Covenants

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

Marketability

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

Approval of the Bonds

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

Environmental Regulation

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 ("TCEQ") may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act ("CAA") Amendments of 1990, the eight county Houston Galveston-Brazoria Area (the "HGB Area") has been designated by the EPA as a non-attainment 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 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.

In February 2020, the EPA stated that the HGB Area no longer had a nonattainment designation under the 1997 Ozone Standards, and that it was terminating any remaining "anti-backsliding" requirements associated with the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, 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 the HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2016, 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). 81 Fed. Reg. 78691 (Nov. 8, 2016).

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). The court vacated the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. 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. In December 2018, the TCEQ submitted a revision to the state implementation plan ("SIP") formally requesting redesignation under the 1997 Ozone Standards. EPA responded in February 2020 by adopting a final rule stating that the HGB Area has no designation under the revoked 1997 Ozone Standards and terminating all "anti-backsliding" obligations that remained applicable to the HGB Area based on the area's continued attainment of the revoked 1997 Ozone Standards. 85 Fed. Reg. 8411 (Feb. 14, 2020). The HGB Area is no longer subject to control requirements associated with the 1997 Ozone Standards.

The HGB Area is currently designated a "serious" ozone nonattainment area under the 2008 Ozone Standard. The HGB Area was previously designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018; however, the EPA determined that the HGB Area failed to meet the attainment deadline. Effective September 23, 2019, the HGB Area was reclassified as a "serious" ozone nonattainment area, with an attainment deadline of July 20, 2021. In March 2020, the TCEQ adopted a revision to the Texas SIP that was required based on that reclassification. That SIP revision, which included an updated attainment demonstration for the 2008 Ozone Standard, was submitted to EPA in May 2020.

The HGB Area is currently designated as a "marginal" nonattainment area for the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery. The HGB Area's attainment deadline under the more-stringent 2015 Ozone Standard is August 3, 2021.

Under the CAA, the State is subject to ongoing obligations to make progress toward and eventually to reach compliance with the federal ozone standards in the HGB Area, based on monitored air quality. The TCEQ's SIP for the HGB Area demonstrates progress toward attainment, including emission control requirements for ozone-causing pollutants emitted by the industrial sector. Failure to attain an ozone standard could subject industrial sources in the HGB Area to more stringent controls on emissions. 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 SIP also establishes requirements that 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 attain 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.

Other constraints on economic growth and development include lawsuits filed under the CAA by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective SIP could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the HGB Area.

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:

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" ("WOTUS"). 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.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022.

Given this rulemaking activity, there is significant uncertainty regarding the ultimate scope of WOTUS and EPA and USACE wetlands jurisdiction.

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of this issue will be used to reimburse the Developer for the District's share of: (1) construction, engineering and stormwater pollution prevention (SWPP) expenses for utilities within Falls at Green Meadows Section 8; (2) construction, engineering and SWPP expenses for utilities within Falls at Green Meadows Section 9; (3) land costs for Detention Facility "D" and Cane Island Branch Drainage Channel Ph. 2; and (4) capital recovery fees owed to the City of Katy for water and wastewater treatment capacity for Falls at Green Meadows Sections 8 and 9. The remaining proceeds will be used for (5) Developer interest accumulated on the proposed projects; and (6) bond issuance expenses.

The use and distribution of the proceeds from the sale of the Bonds, as approved by the TCEQ, is set forth below.

	CONSTRUCTION COSTS	District's Share
A.	Total Developer Contribution Items	$1,579,990
B.	City of Katy Capital Recovery Fee	249,672
C.	Less Surplus Funds	(124,500)
	NET CONSTRUCTION COSTS	**$1,705,162**
	NONCONSTRUCTION COSTS	
A.	Legal Fees	$51,600
B.	Financial Advisor Fees	41,600
C.	Interest	
	1. Developer Interest	149,190
D.	Bond Discount	62,367
E.	Bond Issuance Expenses	27,801
F.	TCEQ Bond Issuance Fee	5,200
G.	Bond Application Report Cost	35,000
H.	Attorney General Fee	2,080
	TOTAL NON-CONSTRUCTION COSTS	$374,838
	TOTAL BOND ISSUE REQUIREMENT	**$2,080,000**

The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

SELECTED FINANCIAL INFORMATION
(Unaudited)

General

2021 Certified Assessed Valuation	$133,861,012 [a]
2022 Certified Assessed Valuation	$165,825,265 [a]
Direct Debt (Includes the Bonds)	$20,170,000
Estimated Overlapping Debt	7,950,695
Direct and Estimated Overlapping Debt	$28,120,695
Debt Service Balance (as of August 2, 2022)	$1,689,998 [b]
Direct Debt Ratios:	
as a percentage of 2021 Certified Assessed Valuation	15.07%
as a percentage of 2022 Certified Assessed Valuation	12.16%
Direct and Estimated Overlapping Debt Ratios	
as a percentage of 2021 Certified Assessed Valuation	21.01%
as a percentage of 2022 Certified Assessed Valuation	16.96%

(a) As certified by the Harris County Appraisal District ("HCAD") and Waller County Appraisal District ("WCAD"), See "TAX DATA" and "TAXING PROCEDURES."
(b) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Bond Fund.

District Bonds Authorized but Unissued

Date of Authorization	Purpose	Authorized	Issued To Date [a]	Amount Unissued
11/06/2012	Road	$5,500,000	$2,860,000	$2,640,000
11/06/2012	Parks & Recreation	2,000,000	0	2,000,000
11/06/2012	Water, Sewer & Drainage	37,000,000	18,605,000	18,395,000
11/06/2012	Refunding	44,500,000	0	44,500,000

(a) Including the Bonds.

Cash and Investment Balances (as of August 2, 2022)

General Fund	Cash and Temporary Investments	$425,891
Debt Service Fund	Cash and Temporary Investments	$1,689,998 [a]
Capital Projects Fund	Cash and Temporary Investments	$207,497

(a) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District's portfolio.

Investment in U.S. Government Obligations, bank Certificates of Deposit and money market funds are generally representative of the District's investment practices. State law requires the District to report its investments each calendar quarter and upon the conclusion of each fiscal year. The District is required by state law to mark its investments to market price in these reports for the purpose of compliance with applicable accounting principles concerning the contents of the District's audited financial statements.

Estimated Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the assessed valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information and no person is entitled to rely upon such information as being accurate or complete. Further, certain of the entities listed below may have issued additional bonds since the date cited.

			Overlapping Direct Debt	
Taxing Body	**Direct Debt**	**As of**	**Percent**	**Amount**
Harris County	$1,863,542,125	08/31/2022	0.01%	$186,354
Harris Co. Dept. of Education	20,185,000	08/31/2022	0.01%	2,019
Harris Co. Flood Control	584,900,000	08/31/2022	0.01%	58,490
Harris Co. Hospital Dist.	76,385,000	08/31/2022	0.01%	7,639
Katy ISD	2,140,211,367	08/31/2022	0.29%	6,206,613
Katy, City of	30,120,000	08/31/2022	3.41%	1,027,092
Pt of Houston Authority	469,434,397	08/31/2022	0.01%	46,943
Waller County	44,207,000	08/31/2022	0.94%	415,546
Total Overlapping Debt				$7,950,695
PLUS: District Direct Debt (a)				$20,170,000
Direct & Overlapping Debt				$28,120,695
Direct & Overlapping Debt Pct. of 2022 Value				16.96%

(a) Including the Bonds.

Overlapping Taxes for 2021

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

Overlapping Entity	**Harris Co.**		**Waller Co.**	
Harris Co. (a)	$0.587		-	
Katy ISD	1.352		$1.352	
Katy, City of	0.447	(b)	0.447	(b)
Waller Co.	-		0.576	
The District	0.950		0.950	
Total	$3.336		$3.325	

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

(b) Approximately $0.036 of the City of Katy's 2021 ad valorem tax rate is attributable to water, sewer and/or drainage facilities financed by the City and tax revenues collected by the City on property located within the City relative to same are rebated to the District per the terms of the Utility Agreement (hereinafter defined) between the City and the District.

Classification of Assessed Valuation

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

Total	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land & Improvements	$ 171,496,918	$ 138,020,999	$ 118,722,831	$ 103,975,126	$ 92,842,226
Personal Property	701,730	572,901	887,686	722,676	554,767
Total Appraised Value	172,198,648	138,593,900	119,610,517	104,697,802	93,396,993
Less Exemptions	(6,373,383)	(4,732,888)	(3,615,235)	(2,273,872)	(776,414)
Total Net Taxable Value	$ 165,825,265	$ 133,861,012	$ 115,995,282	$ 102,423,930	$ 92,620,579

Tax Collections

The following statement of tax collections set forth are the 2017 – 2021 tax collections of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information obtained from records of the District's tax assessor/collector. Reference is made to such records for further and more complete information.

				Collections as of Tax Year End		Collections Through August 31, 2022	
Tax Year	Assessed Valuation	Tax Rate	Levy	Amount	%	Amount	%
2017	$ 75,420,411	$0.95	$716,494	$715,113	99.81%	$716,494	100.00%
2018	92,620,579	0.95	879,895	870,476	98.93%	879,895	100.00%
2019	102,423,930	0.95	973,027	966,710	99.35%	973,027	100.00%
2020	115,995,282	0.95	1,101,955	1,095,288	99.39%	1,101,955	100.00%
2021	133,861,012	0.95	1,258,415	(a)	(a)	1,248,949	99.25%

(a) In process of collection. Represents collections as of September 30 of each tax year.

District Tax Rates

	2021	2020	2019	2018	2017
Debt Service Fund	$0.800	$0.800	$0.800	$0.780	$0.650
Maintenance & Operation	0.150	0.150	0.150	0.170	0.300
Total	$0.950	$0.950	$0.950	$0.950	$0.950

Tax Rate Limitation

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District and its improvements, if such maintenance tax is authorized by a vote of the District's electorate. On November 6, 2012, the District voters authorized the levy of such a maintenance tax in an amount not to exceed $1.50 per $100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of $0.15 per $100 of assessed valuation for 2021.

Principal Taxpayers [(a)]

The following list of top ten principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2020 and 2021 certified tax rolls of the District, which reflect ownership as of January 1 of each year. Ownership changes since January 1, 2021 are not known to the District.

Taxpayer	Property Type	2021	2020
Lennar Homes LTD	Home Builder	$2,809,983	$3,067,463
Westin Homes & Properties LP	Home Builder	2,685,223	2,639,760
Homeowner	Individual Residence	496,459	451,908
Homeowner	Individual Residence	474,141	442,474
Homeowner	Individual Residence	470,177	-
Homeowner	Individual Residence	462,433	443,533
Homeowner	Individual Residence	461,585	-
Homeowner	Individual Residence	458,955	443,293
Homeowner	Individual Residence	456,000	447,932
Homeowner	Individual Residence	454,977	435,454
Homeowner		-	434,910
Homeowner		-	431,686
Total		$9,229,933	$9,238,413
Percent of Assessed Value		6.90%	7.96%

(a) From the Harris County Appraisal District ("HCAD") and Waller County Appraisal District ("WCAD").

Tax Rate Calculations

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

Average Annual Debt Service Requirements (2023/2052)…………………………	$1,070,803
Tax Rate of $0.85 on the 2021 Certified Assessed Valuation of $165,825,265 at 95% collection produces…………………………………………………	$1,080,928
Tax Rate of $0.68 on the 2022 Certified Assessed Valuation of of $162,425,234 at 95% collection produces……………………………………………..	$1,071,231
Maximum Annual Debt Service Requirement (2023)………………………….........	$1,187,476
Tax Rate of $0.94 on the 2021 Certified Assessed Valuation of $165,825,265 at 95% collection produces…………………………………………………	$1,195,379
Tax Rate of $0.76 on the 2022 Certified Assessed Valuation of of $162,425,234 at 95% collection produces…………………………………………….	$1,197,258

DEBT SERVICE REQUIREMENTS

		The Bonds				
Year Ending 12/31	Outstanding Debt Service	Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	Total
2023	$976,712.56	$120,000.00	$34,813.33	$55,950.00	$210,763.33	$1,187,475.89
2024	976,870.06	25,000.00	51,450.00	51,450.00	127,900.00	1,104,770.06
2025	975,972.56	25,000.00	50,512.50	50,512.50	126,025.00	1,101,997.56
2026	979,037.56	30,000.00	49,543.75	49,543.75	129,087.50	1,108,125.06
2027	976,937.56	30,000.00	48,381.25	48,381.25	126,762.50	1,103,700.06
2028	975,815.06	30,000.00	47,218.75	47,218.75	124,437.50	1,100,252.56
2029	981,250.06	30,000.00	46,075.00	46,075.00	122,150.00	1,103,400.06
2030	980,620.06	30,000.00	44,931.25	44,931.25	119,862.50	1,100,482.56
2031	980,722.56	30,000.00	43,787.50	43,787.50	117,575.00	1,098,297.56
2032	985,228.82	30,000.00	42,643.75	42,643.75	115,287.50	1,100,516.32
2033	984,023.82	30,000.00	41,500.00	41,500.00	113,000.00	1,097,023.82
2034	987,002.58	35,000.00	40,637.50	40,637.50	116,275.00	1,103,277.58
2035	989,113.84	30,000.00	39,631.25	39,631.25	109,262.50	1,098,376.34
2036	990,413.84	30,000.00	38,768.75	38,768.75	107,537.50	1,097,951.34
2037	990,687.58	30,000.00	37,906.25	37,906.25	105,812.50	1,096,500.08
2038	989,877.58	35,000.00	37,043.75	37,043.75	109,087.50	1,098,965.08
2039	993,197.58	35,000.00	36,037.50	36,037.50	107,075.00	1,100,272.58
2040	995,468.82	35,000.00	35,031.25	35,031.25	105,062.50	1,100,531.32
2041	996,426.32	35,000.00	34,200.00	34,200.00	103,400.00	1,099,826.32
2042	996,495.08	0.00	33,368.75	33,368.75	66,737.50	1,063,232.58
2043	1,000,305.08	0.00	33,368.75	33,368.75	66,737.50	1,067,042.58
2044	998,072.56	0.00	33,368.75	33,368.75	66,737.50	1,064,810.06
2045	999,820.04	0.00	33,368.75	33,368.75	66,737.50	1,066,557.54
2046	1,000,456.28	0.00	33,368.75	33,368.75	66,737.50	1,067,193.78
2047	1,000,712.52	0.00	33,368.75	33,368.75	66,737.50	1,067,450.02
2048	1,005,331.28	0.00	33,368.75	33,368.75	66,737.50	1,072,068.78
2049	1,006,193.76	0.00	33,368.75	33,368.75	66,737.50	1,072,931.26
2050	1,008,393.76	0.00	33,368.75	33,368.75	66,737.50	1,075,131.26
2051	0.00	685,000.00	33,368.75	33,368.75	751,737.50	751,737.50
2052	0.00	720,000.00	17,100.00	17,100.00	754,200.00	754,200.00
	$27,721,159.18	$2,080,000.00	$1,150,900.83	$1,172,037.50	$4,402,938.33	$32,124,097.51

TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The District is located in Harris County and Waller County. The Harris County Appraisal District has the responsibility for appraising property in the District located within Harris County and the Waller County Appraisal District has the responsibility for appraising property in the District located within Waller County. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board or the Waller County Appraisal Review Board, as applicable. Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of said appraisal review boards by filing a 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. Absent any such appeal, the appraisal roll, as prepared by either the Harris County Appraisal District or the Waller County Appraisal District, as applicable, and approved by the applicable appraisal review board, must be used by each taxing jurisdiction in establishing its tax roll and rate. The District is eligible, along with all other conservation and reclamation district within Harris County and Waller County, to participate in the nomination of and vote for a member of the Board of Directors of each county's respective appraisal district.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2022 tax year, the District has not granted any such exemptions.

The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was 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.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraisal value of residential homesteads, but not less than $5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2022 tax year, the District has not granted a general residential homestead exemption.

Valuation of Property for Taxation

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

Disaster Exemption

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

District and Taxpayer Remedies

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE." 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.

Agricultural, Open Space, or Timberland Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of designation for agricultural use, timberland or open space land. According to the District's Tax Assessor/Collector, as of April 2022, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City of Katy, Harris County, and Waller County may designate all or part of the District as a reinvestment zone, and the District, Harris County, Waller County, and the City of Katy, under certain circumstances, may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District’s Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 "Low Tax Rate Districts." 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 rates cannot be reduced by a rollback election held within any of the districts described below. See “SUMMARY OF SELECTED FINANCIAL INFORMATION” for a description of the District’s current total tax rate.

Low Tax Rate Districts

Low Tax Rate Districts 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 in the district, 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions..

The District

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

District's Rights in the Event of Tax Delinquencies

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Commission, dated August 14, 2012, under Article XIV, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the City of Katy, is subject to the continuing supervisory jurisdiction of the Commission.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. Pursuant to the Utility Agreement (hereinafter defined), the District conveys certain water, wastewater, and drainage facilities to the City of Katy for operation and maintenance. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY." The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to certain limitations, develop and finance roads. See "THE BONDS – Issuance of Additional Debt" and "– Financing Recreational Facilities."

The District is required to observe certain requirements of the City of Katy which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, sanitary sewer, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Katy of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Katy and filed in the real property records of Harris County or Waller County, as applicable. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Status of Development

Below is a more complete description of the status of development within the District as of August 31, 2022:

Subdivision	Acreage	Platted Lots	Completed Homes Sold	Completed Homes Unsold	Homes Under Construction	Vacant Lots
Falls at Green Meadows						
Section 1	34.28	66	66	0	0	0
Section 2	22.52	40	40	0	0	0
Section 3	23.66	51	51	0	0	0
Section 4	20.97	64	64	0	0	0
Section 5	44.36	44	44	0	0	0
Section 6	25.95	36	36	0	0	0
Section 7	24.72	64	55	2	6	1
Section 8	15.30	48	42	0	6	0
Section 9	28.38	53	21	0	17	15
Subtotals	240.14	466	419	2	29	16
Open Space	1.53					
Total	241.67	466	419	2	29	16

Homebuilders

Homebuilders active in the District are Lennar Homes and Westin Homes, which are building homes in Falls at Green Meadows, Sections 7 through 9, which range in price from approximately $380,000 to $560,000.

Future Development

There is no remaining developable land within the District. 1.3 acres of the District are dedicated to recreational facilities within Section 1, and no portion of the District is undevelopable.

Community Facilities

Churches: Churches of various faiths and denominations are located in the vicinity of the District.

Fire Protection: Fire protection to residents within the District is provided by the City of Katy Fire Department.

Medical Facilities: The medical facility closest to the District is the Memorial Hermann Katy Hospital located north of Interstate 10 at Katy Fort-Bend Road within a five-minute drive from the District. This full service hospital offers 24-hour emergency services, diagnostic imaging, cardiology, neurology, obstetrics, day and general surgery, and doctors' offices.

Recreational Facilities: Recreational facilities close to the District include lakes, a recreational center, pool, open space that provides for sports fields, two tennis courts and multiple neighborhood parks.

Schools: The District is located in the Katy Independent School District. District residents attend the following state-accredited schools:

School	**Approximate Distance from District**
Katy Elementary School	½ mile
Katy Junior High School	½ mile
Katy High School	1 mile

Shopping Facilities: Katy Main Street is a shopping center at Pin Oak and Kingsland Boulevard, east of and adjacent to the District. It contains a 120,000 square foot HEB Grocery store, service station, 24-hour emergency center, Walgreens and various restaurants. The shopping mall most conveniently located for District residents is the Katy Mills Mall, a 1.3 million-square-foot facility. The mall is on Interstate 10, about 2 miles southeast of the District.

THE DEVELOPER

Role of a Developer

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

The Developer

The developer of the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company ("FDC" or the "Developer"). The Developer's sole general partner is U.S. Home LLC, a Delaware limited liability company, (as successor-in-interest by conversion from U.S. Home Corporation, a Delaware corporation). The Developer is a subsidiary of Lennar Corporation, a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for FDC are not available. Audited financial statements for Lennar Corporation can be found online at http://www.lennar.com/investor/investor. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Lennar Corporation is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar Corporation is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer nor Lennar Corporation has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar Corporation is subject to change at any time. See "RISK FACTORS – Dependence on Major Taxpayers and the Developer."

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY

The District operates pursuant to a Utility Functions and Services Allocation Agreement between the City of Katy (the "City") and the District (the "Utility Agreement"). Pursuant to the Utility Agreement, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution and supply, wastewater collection, transportation and treatment, storm water collection, pollution prevention and drainage systems (excluding storm water detention facilities, which are retained), and road facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to provide the District with its ultimate capacity needs for water and sanitary sewer service, operate and maintain such Facilities, and to make an annual payment to the District, if applicable, in consideration of the District's financing, acquisition and construction of the Facilities.

The Facilities: The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply subject to a per-connection capital recovery fee. The Utility Agreement authorizes the District to purchase capacity in the City's Sewage Treatment Plant based on the City's capital recovery fee. The capital recovery fee for water supply is $1,236 per connection and for sanitary sewer treatment plant capacity is $1,236 per connection.

The District has the right to assign all or any part of its capacity to subsequent purchasers, landowners and developers within the District's boundaries. Prior to making any connection to the District's sanitary sewer system, the District agrees to issue an assignment of capacity and to ensure that all required inspections are conducted by the City.

Authority of District to Issue Bonds: The District has the authority to issue, sell and deliver unlimited tax bonds as permitted by law and the City's consent ordinance. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City.

Ownership, Operation and Maintenance of the Facilities: Upon completion of construction of the Facilities, the District agrees to convey the Facilities to the City, reserving for itself a security interest in the Facilities for the purpose of securing the performance of the City under the Utility Agreement. When all bonds issued by the District to acquire and construct the Facilities have been issued and subsequently paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District, and the City shall own the Facilities without encumbrance. As each phase of the Facilities is completed, the City agrees to inspect the same and, upon approval, accept the Facilities for operation and maintenance. The accepted Facilities shall be operated and maintained by the City at its sole cost and expense. Prior to accepting such Facilities, if the City determines that the Facilities, or any portion thereof, have not been constructed in accordance with approved plans and specifications, the City agrees to notify the District, and the District shall correct any deficiency noted by the City.

Rates for Service: The City agrees to bill and collect from customers of the District such rates and charges for such customers as the City, in its sole discretion, determines are necessary, provided that the rates and charges will be equal and uniform to those charged to other similar users outside the District. The City may impose a charge for connection to Facilities at a rate to be determined from time to time by the City, provided that the charge is equal to the amount charged other City users for comparable connections.

Annual Payment: The City agrees to make an annual payment (the "Annual Payment") based on the City's property tax rate that is attributable to water, sewer and drainage facilities based on a formula provided in the Utility Agreement. Under such formula, for a given year, the Annual Payment is equal to the amount of the City's property tax rate (per $100 in valuation) that is attributable to debt service or operation of water, sewer and drainage facilities multiplied by the assessed valuation in the District. The City's property tax rate attributable to water, sewer and drainage facilities may change from year to year. For the 2021 tax year, the District is projected to receive an Annual Payment of $48,582 from the City, plus interest. The District has not pledged the Annual Payment to the Bonds.

Dissolution of the District: The City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law. In the Utility Agreement, the City agrees that it will not abolish and dissolve the District until (1) the Facilities required to serve the District have been completed, (2) bonds have been issued to finance the Facilities, and (3) the Developer developing Facilities has been reimbursed by the District to the maximum extent permitted by the rules of the Commission or the City assumes the obligation to reimburse the Developer.

THE SYSTEM

Regulation

According to the District's Engineer, BGE, Inc. (the "Engineer"), the water distribution, sanitary sewer collection and drainage facilities serving the District (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the Commission, the City of Katy and the Brookshire-Katy Drainage District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the Commission.

Operation of the water, sanitary sewer and drainage facilities serving the District (except as provided below) is provided by the City of Katy, and is subject to regulation by, among others, the United States Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Source of Water Supply and Wastewater Treatment

Water supply and wastewater treatment capacity is provided by the City of Katy. All water and wastewater treatment facilities are owned and maintained by the City as stipulated by the Utility Agreement between the City and the District. Residents in the District pay the City for water service and wastewater treatment in accordance with the City's water and sewer rate order.

Subsidence and Conversion to Surface Water Supply

The Harris County portion of the District is within the boundaries of the Harris-Galveston Subsidence District, and the Waller County portion of the District is within the boundaries of the Bluebonnet Groundwater Conservation District (referred to collectively as the "Subsidence Districts"), which regulate groundwater withdrawal. The City's authority to pump groundwater is subject to annual permits issued by the Subsidence Districts. The Subsidence

Districts have adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District.

Storm Drainage

The District has improved Cane Island Branch drainage channel which bisects the District and then outfalls into Buffalo Bayou south of the District. In addition, four drainage detention pond storage facilities have been constructed within the District. The excavated earth materials from these projects were primarily distributed across District property as compacted fill. As a result of this operation, selective property within the District has been elevated above the existing 100-year flood plain including areas within Sections 1-9. These projects were necessary to provide adequate outfall drainage for the District and to remove residential subdivision lots from the 100-year flood plain. The Utility Agreement with the City of Katy provides that the District will convey and the City will accept all facilities, with the exception of detention facilities and recreational facilities. Thus, all storm drainage facilities other than detention are conveyed to and accepted by the City.

Multiple Letters of Map Revision (LOMR) have been issued by The Federal Emergency Management Agency (FEMA), the latest of which was approved on September 23, 2020. All of the currently developed lots have been removed from the 100-year Flood Plain.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the currently developed acreage in the District is within the 100-year flood plain.

Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location. See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments."

General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Operating Fund, and is from the District's Audited Financial Statements for the years ended June 30, 2017 – 2021.

	2021	**2020**	**2019**	**2018**	**2017**
REVENUES:					
Property Taxes	$171,025	$155,740	$156,336	$226,975	$216,622
Investment Income	2,379	7,033	6,185	2,167	735
Other Income	29	42	66	58	63
TOTAL REVENUES	$173,433	$162,815	$162,587	$229,200	$217,420
EXPENDITURES:					
Professional Fees	$80,448	$80,581	$55,528	$60,322	$52,117
Contracted Services	19,159	19,128	18,694	17,694	17,780
Repairs and Maintenance	15,806	15,806	19,344	12,268	16,172
Other Expenditures	30,863	30,453	31,135	28,028	28,898
Debt Issuance Costs	0	8,641	0	0	0
TOTAL EXPENDITURES	$146,276	$154,609	$124,701	$118,312	$114,967
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$27,157	$8,206	$37,886	$110,888	$102,453
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In (Out)	8,641	0	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	$35,798	$8,206	$37,886	$110,888	$102,453
BEGINNING FUND BALANCE	$376,887	$368,681	$330,795	$219,907	$117,454
ENDING FUND BALANCE	$412,685	$376,887	$368,681	$330,795	$219,907

MANAGEMENT OF THE DISTRICT

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

Name	Position	Term Expires May
John Penewitt	President	2026
James Bozzone	Vice President	2026
Chris Courter	Secretary	2024
Daniel Simmons	Asst. Secretary	2024
Anna Marie Agnew	Director	2024

The District does not have a general manager but has contracted for services, as follows:

Tax Assessor/Collector – The tax assessor/collector for the District is B&A Municipal Tax Service.

Consulting Engineers – The District has engaged the firm of BGE, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design of the System.

Bookkeeper – The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper.

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

Bond Counsel and General Counsel – Schwartz, Page & Harding, L.L.P. ("Bond Counsel"), Houston, Texas, serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel – The District has engaged McCall, Parkhurst & Horton L.L.P. ("Disclosure Counsel"), Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds.

Financial Advisor – RBC Capital Markets, LLC (the "Financial Advisor") has been employed since 2012 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. 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 legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurt & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT-General," "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF KATY," "MANAGEMENT OF THE DISTRICT-Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). 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.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) the covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." POTENTIAL PURCHASERS SHOULD BE AWARE THAT IF THE ISSUE PRICE TO THE PUBLIC EXCEEDS $10,000,000, THERE IS A REASONBLE BASES TO CONCLUDE THAT THE PAYMENT OF THE DE MINIMIS AMOUNT OF PREMIUM IN EXCESS OF $10,000,000 IS DISREGARDED; HOWEVER, THE INTERNAL REVENUE SERVICE COULD TAKE A CONTRARY VIEW. IF THE INTERNAL REVENUE SERVICE TAKES THE POSITION THAT THE AMOUNT OF SUCH PREMIUM IS NOT DISREGARDED, THEN SUCH OBLIGATIONS MIGHT FAIL TO SATISFY THE AFOREMENTIONED DOLLAR LIMITATION AND THE BONDS WOULD NOT BE "QUALIFIED TAX-EXEMPT OBLIGATIONS."

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in FASIT, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, 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. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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 property 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, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Tax Assessor/Collector, the Harris County and Waller County Appraisal Districts, the Engineer, and other sources believed to be reliable. The summaries of the statutes, resolutions, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Consultants

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM," has been provided by BGE, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Harris County Appraisal District and the Waller County Appraisal Districts, and B&A Municipal Tax Service. The information related to the summary of the District's General Operating Fund as it appears in "THE SYSTEM – General Fund Operating Statement" has been provided by Municipal Accounts & Consulting, L.P., the District's bookkeeper.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the Registered Owners and Beneficial Owners of the Bonds. The District is required to observe this agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") or any successor to its functions as a repository through the MSRB's system. This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB through its EMMA system. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION" (excepting "Estimated Overlapping Debt Statement"), "DEBT SERVICE REQUIREMENTS", "THE SYSTEM – General Fund Operating Statement" (most of which information is found in the District's audited financial statements) and in Appendix A. The District will update and provide the information within six (6) months after the end of fiscal year ending in or after 2022.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if the District 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, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements 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 Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

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

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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

In the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.

GENERAL CONSIDERATIONS

Updating of Official Statement

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

CONCLUDING STATEMENT

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

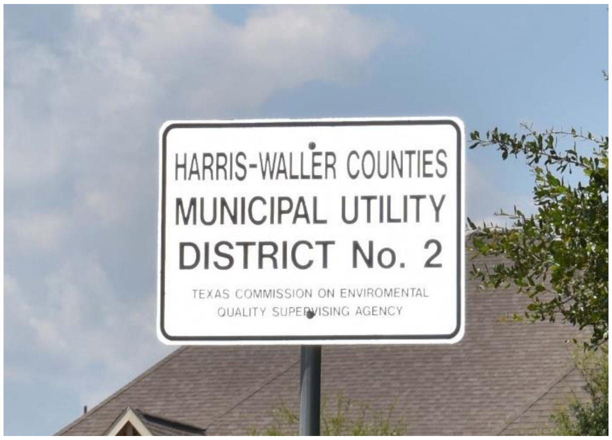
This Official Statement was duly authorized and approved by the Board of Directors of Harris-Waller Counties Municipal Utility District No. 2, as of the date specified on the first page hereof.

/s/ ______________________________
John Penewitt
President, Board of Directors
Harris-Waller Counties Municipal Utility District No. 2

ATTEST:

/s/ _______________________
Chris Courter
Secretary, Board of Directors
Harris-Waller Counties Municipal Utility District No. 2

DISTRICT PHOTOGRAPHS
(September 2022)



AERIAL PHOTOGRAPH
(September 2022)

APPENDIX A

Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2021

Harris-Waller Counties Municipal Utility District No. 2

Harris and Waller Counties, Texas

Independent Auditor's Report and Financial Statements

June 30, 2021

BKD
CPAs & Advisors

Harris-Waller Counties Municipal Utility District No. 2
June 30, 2021

Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
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Independent Auditor's Report

Board of Directors
Harris-Waller Counties Municipal Utility District No. 2
Harris and Waller Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris-Waller Counties Municipal Utility District No. 2 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
November 9, 2021

Harris-Waller Counties Municipal Utility District No. 2
Management's Discussion and Analysis
June 30, 2021

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2021	2020
Current and other assets	$ 2,181,929	$ 1,924,700
Capital assets	5,048,372	4,855,641
Total assets	$ 7,230,301	$ 6,780,341
Long-term liabilities	$ 18,282,983	$ 15,953,385
Other liabilities	190,418	200,445
Total liabilities	18,473,401	16,153,830
Net position:		
Net investment in capital assets	5,048,372	4,855,641
Restricted	1,323,660	1,048,732
Unrestricted	(17,615,132)	(15,277,862)
Total net position	$ (11,243,100)	$ (9,373,489)

The total net position of the District decreased by $1,869,611, or about 20 percent. The decrease in net position is primarily related to conveyance of capital assets to another governmental entity.

At June 30, 2021, unrestricted net position was $(17,615,132). This amount was negative because the District has an obligation to sell bonds to finance the construction or acquisition of certain capital assets, the majority of which have been conveyed to the City of Katy (the City) pursuant to a Utility Functions and Services Allocation Agreement (the Agreement) between the District and the City. Accordingly, these capital assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2021	2020
Revenues:		
Property taxes	$ 1,099,546	$ 976,515
City of Katy rebates	91,755	-
Other revenues	18,360	32,009
Total revenues	1,209,661	1,008,524

Summary of Changes in Net Position (Continued)

	2021	2020
Expenses:		
Services	$ 193,482	$ 244,671
Conveyance of capital assets	1,885,139	28,175
Capital recovery fees	158,208	-
Debt service	842,443	510,018
Total expenses	3,079,272	782,864
Change in net position	(1,869,611)	225,660
Net position, beginning of year	(9,373,489)	(9,599,149)
Net position, end of year	$ (11,243,100)	$ (9,373,489)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2021, were $2,142,071, an increase of $242,517 from the prior year.

The general fund's fund balance increased by $35,798 due to property tax revenues and a transfer from the capital projects fund being greater than service operations expenditures.

The debt service fund's fund balance increased by $251,575, primarily due to property tax revenues generated being greater than bond principal and interest requirements, and due to rebates received from the City and proceeds received from the sale of bonds.

The capital projects fund's fund balance decreased by $44,856. This net decrease was primarily due to capital outlay expenditures, repayment of the Series 2019 bond anticipation note and debt issuance costs exceeding proceeds received from the sale of the Series 2020 bonds.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues being higher than anticipated and professional fees expenditures being lower than anticipated. In addition, interfund transfers received were not included in the current year budget. The fund balance as of June 30, 2021, was expected to be $391,067 and the actual end-of-year fund balance was $412,685.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets

	2021	2020
Land and improvements	$ 5,048,372	$ 4,855,641

During the current year, the following were additions to capital assets:

Land acquisition including, 16.07-acre detention site to serve Falls at Green Meadows, Section 5, Reserve B; 5.7469-acre detention site to serve Falls at Green Meadows, Section 5, Reserve B; and 4.912-acre detention site	$ 192,731

The developer of the District has constructed water, sewer, drainage, road and recreational facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond sales subject to the approval of the Commission, if required. At June 30, 2021, a liability for developer-constructed facilities of $2,760,358 was recorded in the government-wide financial statements.

Debt

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

Long-term debt payable, beginning of year	$ 15,953,385
Increases in long-term debt	5,285,501
Decreases in long-term debt	2,955,903
Long-term debt payable, end of year	$ 18,282,983

At June 30, 2021, the District had $20,475,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, $5,500,000 for the purpose of acquiring, constructing and improving road facilities within the District, and $2,000,000 for the purpose of acquiring, constructing and improving recreational facilities.

The District's bonds carry an underlying rating of "Baa3" from Moody's Investors Service. The Series 2018, 2019 and 2020 bonds carry a "AA" rating from Standard and Poor's by virtue of bond insurance by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Katy

The District operates pursuant to the Agreement with the City. The Agreement obligates the District to acquire, construct and extend water, sanitary sewer, and certain drainage and road facilities to serve land in the District, and, when completed in accordance with approved plans and specifications, to convey title to such facilities to the City. The City then operates and maintains such facilities and is responsible for establishing water and sewer rates and collection charges for water and sewer services. The District is also responsible for paying the City capital recovery fees for water supply and wastewater treatment plant capacity to serve land in the District. Per the Agreement, the City is not required to accept storm water detention and recreational facilities from the District. In addition, the Agreement provides for an annual rebate of certain City property tax revenues to the District. During the current year, the District recorded $91,755 in City property tax rebates.

Contingencies

The developer of the District is constructing water, sewer, drainage, road and recreational facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately $720,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On September 9, 2021, the District sold its Series 2021 unlimited tax road bonds in the amount of $2,860,000 at a net effective interest rate of approximately 2.46 percent. The bonds were sold to reimburse the developer for previously constructed road facilities.

Harris-Waller Counties Municipal Utility District No. 2

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 1,500	$ 32,422	$ 100	$ 34,022	$ -	$ 34,022
Certificates of deposit	350,000	295,000	-	645,000	-	645,000
Short-term investments	31,779	1,175,442	262,705	1,469,926	-	1,469,926
Property taxes receivable	4,145	22,095	-	26,240	-	26,240
Accrued penalty and interest	-	-	-	-	5,716	5,716
Accrued interest	855	170	-	1,025	-	1,025
Interfund receivable	36,453	-	-	36,453	(36,453)	-
Capital assets, land and land improvements	-	-	-	-	5,048,372	5,048,372
Total assets	$ 424,732	$ 1,525,129	$ 262,805	$ 2,212,666	$ 5,017,635	$ 7,230,301

Harris-Waller Counties Municipal Utility District No. 2
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 7,902	$ -	$ -	$ 7,902	$ -	$ 7,902
Accrued interest payable	-	-	-	-	182,516	182,516
Interfund payable	-	36,453	-	36,453	(36,453)	-
Long-term liabilities:						
Due within one year	-	-	-	-	315,000	315,000
Due after one year	-	-	-	-	17,967,983	17,967,983
Total liabilities	7,902	36,453	0	44,355	18,429,046	18,473,401
Deferred Inflows of Resources						
Deferred property tax revenues	4,145	22,095	0	26,240	(26,240)	0
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	1,466,581	-	1,466,581	(1,466,581)	-
Water, sewer and drainage	-	-	262,805	262,805	(262,805)	-
Unassigned	412,685	-	-	412,685	(412,685)	-
Total fund balances	412,685	1,466,581	262,805	2,142,071	(2,142,071)	0
Total liabilities, deferred inflows of resources and fund balances	$ 424,732	$ 1,525,129	$ 262,805	$ 2,212,666		
Net position:						
Net investment in capital assets					5,048,372	5,048,372
Restricted for debt service					1,311,876	1,311,876
Restricted for capital projects					11,784	11,784
Unrestricted					(17,615,132)	(17,615,132)
Total net position					$ (11,243,100)	$ (11,243,100)

Harris-Waller Counties Municipal Utility District No. 2

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

Year Ended June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 171,025	$ 912,135	$ -	$ 1,083,160	$ 16,386	$ 1,099,546
City of Katy rebates	-	91,755	-	91,755	-	91,755
Penalty and interest	-	5,952	-	5,952	5,716	11,668
Investment income	2,379	2,153	469	5,001	-	5,001
Other income	29	916	746	1,691	-	1,691
Total revenues	173,433	1,012,911	1,215	1,187,559	22,102	1,209,661
Expenditures/Expenses						
Service operations:						
Professional fees	80,448	-	-	80,448	2,997	83,445
Contracted services	19,159	25,977	-	45,136	720	45,856
Repairs and maintenance	15,806	-	-	15,806	-	15,806
Other expenditures	30,863	17,500	12	48,375	-	48,375
Capital outlay	-	-	1,151,966	1,151,966	(1,151,966)	-
Conveyance of capital assets	-	-	-	-	1,885,139	1,885,139
Capital recovery fees	-	-	-	-	158,208	158,208
Debt service:						
Principal retirement	-	245,000	2,079,000	2,324,000	(2,324,000)	-
Interest and fees	-	518,618	32,623	551,241	6,519	557,760
Debt issuance costs	-	-	248,997	248,997	35,686	284,683
Total expenditures/expenses	146,276	807,095	3,512,598	4,465,969	(1,386,697)	3,079,272
Excess (Deficiency) of Revenues Over Expenditures	27,157	205,816	(3,511,383)	(3,278,410)	1,408,799	

Harris-Waller Counties Municipal Utility District No. 2

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

Year Ended June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	$ 8,641	$ -	$ (8,641)	$ -	$ -	
General obligation bonds issued	-	45,759	3,534,241	3,580,000	(3,580,000)	
Discount on debt issued	-	-	(59,073)	(59,073)	59,073	
Total other financing sources	8,641	45,759	3,466,527	3,520,927	(3,520,927)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	35,798	251,575	(44,856)	242,517	(242,517)	
Change in Net Position					(1,869,611)	$ (1,869,611)
Fund Balances/Net Position						
Beginning of year	376,887	1,215,006	307,661	1,899,554	-	(9,373,489)
End of year	$ 412,685	$ 1,466,581	$ 262,805	$ 2,142,071	$ 0	$ (11,243,100)

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

Harris-Waller Counties Municipal Utility District No. 2 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), dated August 14, 2012, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance and construct waterworks, wastewater and drainage facilities and to provide such facilities to the customers of the District. All services, except storm water detention, are provided by the City of Katy (the City).

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

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

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

Capital Assets

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

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

The District conveys the majority of its capital assets to the City upon completion pursuant to a Utility Functions and Services Allocation Agreement (the Agreement) dated March 15, 2012.

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

The components of unrestricted net position at June 30, 2021, are as follows:

General fund, unrestricted fund balance, including deferred taxes	$ 416,830
Long-term debt in excess of capital assets and unexpended bond proceeds	(18,031,962)
Total	$ (17,615,132)

The District has financed facilities, the majority of which have been conveyed to the City, which has caused long-term debt to be in excess of capital assets.

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 5,048,372
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	26,240
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	5,716
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(182,516)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(18,282,983)
Adjustment to fund balances to arrive at net position.	$ (13,385,171)

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

Change in fund balances.	$	242,517
Governmental funds report capital outlays as expenditures. However, for the government-wide financial statements, due to a utility agreement with the City, the majority of capital assets constructed by the District are conveyed to the City upon completion. This is the amount by which conveyance of capital assets, capital recovery fees and noncapitalized costs exceeded capital outlay expenditures in the current period.		(895,098)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		59,073
Governmental funds report proceeds from the sales of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		(1,256,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.		22,102
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(42,205)
Change in net position of governmental activities.	$	(1,869,611)

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

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

Investments

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

The District has adopted an Order Establishing Policy for Investment of District Funds and Appointing Investment Officer (Investment Policy), which is more restrictive than state law.

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

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

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Texas CLASS	$ 1,469,926	$ 1,469,926	$ 0	$ 0	$ 0

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

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

Summary of Carrying Values

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

Carrying value:		
Deposits	$	679,022
Investments		1,469,926
Total	$	2,148,948

Included in the following statement of net position captions:

Cash	$	34,022
Certificates of deposit		645,000
Short-term investments		1,469,926
Total	$	2,148,948

Investment Income

Investment income of $5,001 for the year ended June 30, 2021, consisted of interest income.

Fair Value Measurements

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

- Pooled investments of $1,469,926 are valued at fair value per share of the pool's underlying portfolio.

Harris-Waller Counties Municipal Utility District No. 2

Notes to Financial Statements

June 30, 2021

Note 3: Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	$ 4,855,641	$ 192,731	$ 5,048,372

Note 4: Long-term Liabilities

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

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 12,565,000	$ 3,580,000	$ 245,000	$ 15,900,000	$ 315,000
Less discounts on bonds	327,458	59,073	9,156	377,375	-
	12,237,542	3,520,927	235,844	15,522,625	315,000
Bond anticipation note	2,079,000	-	2,079,000	-	-
Due to developer	1,636,843	1,764,574	641,059	2,760,358	-
Total governmental activities long-term liabilities	$ 15,953,385	$ 5,285,501	$ 2,955,903	$ 18,282,983	$ 315,000

General Obligation Bonds

	Series 2015	Series 2016
Amounts outstanding, June 30, 2021	$3,030,000	$1,925,000
Interest rates	2.50% to 4.30%	2.00% to 3.75%
Maturity dates, serially beginning/ending	September 1, 2021/2045	September 1, 2021/2045
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2024	September 1, 2023

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

	Series 2017	Series 2018
Amounts outstanding, June 30, 2021	$2,075,000	$3,130,000
Interest rates	2.000% to 3.875%	3.25% to 5.25%
Maturity dates, serially beginning/ending	September 1, 2021/2046	September 1, 2021/2047
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2025	September 1, 2023

	Series 2019	Series 2020
Amounts outstanding, June 30, 2021	$2,160,000	$3,580,000
Interest rates	3.00% to 5.00%	2.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2021/2048	September 1, 2021/2049
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2025	September 1, 2025

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

Annual Debt Service Requirements

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

Year	Principal	Interest	Total
2022	$ 315,000	$ 541,755	$ 856,755
2023	325,000	529,844	854,844
2024	335,000	517,304	852,304
2025	350,000	503,934	853,934
2026	360,000	489,618	849,618
2027-2031	2,025,000	2,235,361	4,260,361
2032-2036	2,420,000	1,874,299	4,294,299
2037-2041	2,910,000	1,425,858	4,335,858
2042-2046	3,520,000	853,730	4,373,730
2047-2050	3,340,000	198,173	3,538,173
Total	$ 15,900,000	$ 9,169,876	$ 25,069,876

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

Bonds voted:	
Water, sewer and drainage facilities	$ 37,000,000
Recreational facilities	2,000,000
Road facilities	5,500,000
Bonds sold – water, sewer and drainage facilities	16,525,000
Refunding bonds voted:	
Water, sewer, drainage and recreational facilities	39,000,000
Road facilities	5,500,000

Due to Developer

The developer of the District has constructed water, sewer, drainage, road and recreational facilities on behalf of the District. The District has agreed to reimburse the developer for these construction costs and interest from the proceeds of future bond sales to the extent approved by the Commission, if required. The District's engineer estimates reimbursable costs for completed projects are $2,760,358. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

A. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2021, the District levied an ad valorem debt service tax at the rate of $0.8000 per $100 of assessed valuation, which resulted in a tax levy of $928,225 on the taxable valuation of $116,028,299 for the 2020 tax year. The interest and principal requirements to be paid from the tax revenues are $862,548, of which $273,774 has been paid and $588,774 is due September 1, 2021.

B. During the year ended June 30, 2021, the District transferred $8,641 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

Note 6: Maintenance Taxes

At an election held November 6, 2012, voters authorized a maintenance tax not to exceed $1.50 per $100 valuation on all property within the District subject to taxation. During the year ended June 30, 2021, the District levied ad valorem maintenance taxes at the rate of $0.1500 per $100 of assessed valuation, which resulted in a tax levy of $174,042 on the taxable valuation of $116,028,299 for the 2020 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Utility Services Agreement

On March 15, 2012, the District's developer, on behalf of the District, entered into the Agreement with the City. The term of the Agreement is 40 years. The Agreement obligates the District to acquire, construct and extend water, sanitary sewer, and certain drainage and road facilities to serve land in the District, and, when completed in accordance with approved plans and specifications, the District is to convey title to such facilities to the City. The City then operates and maintains such facilities and is responsible for establishing water and sewer rates and collection charges for water and sewer services. The District is also responsible for paying the City capital recovery fees for water supply and wastewater treatment plant capacity to serve land in the District. Per the Agreement, the City is not required to accept storm water detention and recreational facilities from the District. In addition, the Agreement provides for an annual rebate of certain City property tax revenues to the District. During the current year, the District recorded $91,755 in City property tax rebates.

Note 8: Risk Management

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

Note 9: Contingencies

The developer of the District is constructing water, sewer, drainage, road and recreational facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission, if required. The District's engineer has stated that current construction contract amounts are approximately $720,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 10: Subsequent Event

On September 9, 2021, the District sold its Series 2021 unlimited tax road bonds in the amount of $2,860,000 at a net effective interest rate of approximately 2.46 percent. The bonds were sold to reimburse the developer for previously constructed road facilities.

Note 11: Uncertainties

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

Required Supplementary Information

Harris-Waller Counties Municipal Utility District No. 2

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2021

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 162,500	$ 171,025	$ 8,525
Investment income	5,500	2,379	(3,121)
Other income	30	29	(1)
Total revenues	168,030	173,433	5,403
Expenditures			
Service operations:			
Professional fees	84,500	80,448	4,052
Contracted services	21,000	19,159	1,841
Repairs and maintenance	16,000	15,806	194
Other expenditures	32,350	30,863	1,487
Total expenditures	153,850	146,276	7,574
Excess of Revenues Over Expenditures	14,180	27,157	12,977
Other Financing Sources			
Interfund transfers in	-	8,641	8,641
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	14,180	35,798	21,618
Fund Balance, Beginning of Year	376,887	376,887	-
Fund Balance, End of Year	$ 391,067	$ 412,685	$ 21,618

Harris-Waller Counties Municipal Utility District No. 2
Notes to Required Supplementary Information
June 30, 2021

Budgets and Budgetary Accounting

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

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

Other Information

Harris-Waller Counties Municipal Utility District No. 2

Other Schedules Included Within This Report

June 30, 2021

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-25

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

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

[X] Changes in Long-term Bonded Debt

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

[X] Board Members, Key Personnel and Consultants

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Services and Rates

Year Ended June 30, 2021

1. Services provided by the District:

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

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

X Other District services are provided by the City of Katy.

Harris-Waller Counties Municipal Utility District No. 2

Schedule of General Fund Expenditures

Year Ended June 30, 2021

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 15,000	
Legal	56,264	
Engineering	9,184	
Financial advisor	-	80,448
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		-
Contracted Services		
Bookkeeping	19,159	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	-	19,159
Utilities		-
Repairs and Maintenance		15,806
Administrative Expenditures		
Directors' fees	11,100	
Office supplies	1,027	
Insurance	3,866	
Other administrative expenditures	14,870	30,863
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures		$ 146,276

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Temporary Investments

June 30, 2021

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300011930151	0.70%	08/18/21	$ 25,000	$ 152
No. 91300011956338	0.28%	12/21/21	25,000	1
No. 11813	0.50%	01/04/22	25,000	61
No. 12060	1.01%	07/04/21	25,000	249
No. 12706	0.40%	10/28/21	25,000	33
No. 440005605	0.30%	02/26/22	25,000	25
No. 4191481	0.30%	04/06/22	25,000	10
No. 20000000101	0.45%	10/19/21	25,000	80
No. 36001390	0.25%	05/12/22	25,000	8
No. 6000036688	0.50%	06/03/22	25,000	9
No. 6000046216	0.75%	09/16/21	25,000	147
No. 6000049988	0.35%	03/07/22	25,000	12
No. 6002400275	0.40%	10/28/21	25,000	67
No. 1001000436	0.20%	11/21/21	25,000	1
Texas CLASS	0.06%	Demand	31,779	-
			381,779	855
Debt Service Fund				
Certificates of Deposit				
No. 12697	0.30%	07/15/21	25,000	28
No. 4191466	0.30%	02/21/22	245,000	129
No. 1001100529	0.30%	02/21/22	25,000	13
Texas CLASS	0.06%	Demand	1,175,442	-
			1,470,442	170
Capital Projects Fund				
Texas CLASS	0.06%	Demand	219,919	-
Texas CLASS	0.06%	Demand	42,786	-
			262,705	0
Totals			$ 2,114,926	$ 1,025

Harris-Waller Counties Municipal Utility District No. 2

Analysis of Taxes Levied and Receivable

Year Ended June 30, 2021

		Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year		$ 1,556	$ 8,298
Additions and corrections to prior years' taxes		(428)	(2,293)
Adjusted receivable, beginning of year		1,128	6,005
2020 Original Tax Levy		166,295	886,905
Additions and corrections		7,747	41,320
Adjusted tax levy		174,042	928,225
Total to be accounted for		175,170	934,230
Tax collections:	Current year	(170,504)	(909,354)
	Prior years	(521)	(2,781)
Receivable, end of year		$ 4,145	$ 22,095
Receivable, by Years			
2020		$ 3,538	$ 18,871
2019		594	3,166
2018		13	58
Receivable, end of year		$ 4,145	$ 22,095

Harris-Waller Counties Municipal Utility District No. 2
Analysis of Taxes Levied and Receivable (Continued)
Year Ended June 30, 2021

	2020	2019	2018	2017
Property Valuations				
Land	$ 32,950,844	$ 32,623,495	$ 27,481,184	$ 27,549,091
Improvements	85,776,105	71,348,058	65,354,394	48,260,792
Personal property	784,064	460,100	530,356	262,952
Exemptions	(3,482,714)	(1,640,564)	(750,276)	(588,188)
Total property valuations	$ 116,028,299	$ 102,791,089	$ 92,615,658	$ 75,484,647
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.8000	$ 0.8000	$ 0.7800	$ 0.6500
Maintenance tax rates*	0.1500	0.1500	0.1700	0.3000
Total tax rates per $100 valuation	$ 0.9500	$ 0.9500	$ 0.9500	$ 0.9500
Tax Levy	$ 1,102,267	$ 976,515	$ 879,849	$ 717,104
Percent of Taxes Collected to Taxes Levied**	98%	99%	99%	100%

*Maximum tax rate approved by voters: $1.50 on November 6, 2012
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Long-term Debt Service Requirements by Years

June 30, 2021

	Series 2015		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 60,000	$ 121,275	$ 181,275
2023	65,000	119,475	184,475
2024	65,000	117,460	182,460
2025	70,000	115,230	185,230
2026	75,000	112,728	187,728
2027	80,000	110,015	190,015
2028	80,000	107,135	187,135
2029	85,000	104,083	189,083
2030	90,000	100,710	190,710
2031	95,000	97,010	192,010
2032	100,000	93,110	193,110
2033	105,000	88,958	193,958
2034	115,000	84,448	199,448
2035	120,000	79,630	199,630
2036	125,000	74,576	199,576
2037	130,000	69,285	199,285
2038	140,000	63,682	203,682
2039	145,000	57,768	202,768
2040	155,000	51,505	206,505
2041	165,000	44,785	209,785
2042	175,000	37,645	212,645
2043	180,000	30,100	210,100
2044	190,000	22,145	212,145
2045	205,000	13,653	218,653
2046	215,000	4,623	219,623
Totals	$ 3,030,000	$ 1,921,034	$ 4,951,034

Harris-Waller Counties Municipal Utility District No. 2
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2021

Due During Fiscal Years Ending June 30	Series 2016 Principal Due September 1	Series 2016 Interest Due September 1, March 1	Series 2016 Total
2022	$ 40,000	$ 63,644	$ 103,644
2023	40,000	62,844	102,844
2024	45,000	61,938	106,938
2025	45,000	60,869	105,869
2026	50,000	59,556	109,556
2027	50,000	58,056	108,056
2028	55,000	56,481	111,481
2029	55,000	54,831	109,831
2030	60,000	53,106	113,106
2031	60,000	51,306	111,306
2032	65,000	49,390	114,390
2033	70,000	47,281	117,281
2034	70,000	45,050	115,050
2035	75,000	42,693	117,693
2036	80,000	40,125	120,125
2037	85,000	37,340	122,340
2038	90,000	34,331	124,331
2039	95,000	31,094	126,094
2040	95,000	27,709	122,709
2041	100,000	24,175	124,175
2042	110,000	20,369	130,369
2043	115,000	16,219	131,219
2044	120,000	11,813	131,813
2045	125,000	7,219	132,219
2046	130,000	2,438	132,438
Totals	$ 1,925,000	$ 1,019,877	$ 2,944,877

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2017		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 60,000	$ 71,311	$ 131,311
2023	60,000	70,006	130,006
2024	65,000	68,519	133,519
2025	65,000	66,829	131,829
2026	60,000	65,096	125,096
2027	65,000	63,266	128,266
2028	65,000	61,316	126,316
2029	70,000	59,256	129,256
2030	65,000	57,131	122,131
2031	70,000	54,936	124,936
2032	70,000	52,600	122,600
2033	70,000	50,238	120,238
2034	65,000	47,878	112,878
2035	65,000	45,522	110,522
2036	70,000	43,075	113,075
2037	70,000	40,538	110,538
2038	65,000	38,050	103,050
2039	70,000	35,519	105,519
2040	70,000	32,894	102,894
2041	70,000	30,225	100,225
2042	60,000	27,706	87,706
2043	65,000	25,284	90,284
2044	65,000	22,766	87,766
2045	65,000	20,247	85,247
2046	65,000	17,728	82,728
2047	425,000	8,235	433,235
Totals	$ 2,075,000	$ 1,176,171	$ 3,251,171

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

Due During Fiscal Years Ending June 30	Series 2018 Principal Due September 1	Series 2018 Interest Due September 1, March 1	Series 2018 Total
2022	$ 50,000	$ 120,825	$ 170,825
2023	55,000	118,069	173,069
2024	50,000	115,312	165,312
2025	55,000	112,556	167,556
2026	60,000	109,538	169,538
2027	60,000	106,387	166,387
2028	65,000	103,106	168,106
2029	65,000	99,774	164,774
2030	75,000	96,275	171,275
2031	75,000	93,181	168,181
2032	80,000	90,663	170,663
2033	80,000	88,063	168,063
2034	90,000	85,300	175,300
2035	95,000	82,175	177,175
2036	95,000	78,850	173,850
2037	100,000	75,438	175,438
2038	110,000	71,765	181,765
2039	110,000	67,844	177,844
2040	120,000	63,674	183,674
2041	125,000	59,156	184,156
2042	135,000	54,281	189,281
2043	140,000	49,125	189,125
2044	145,000	43,781	188,781
2045	150,000	38,250	188,250
2046	160,000	32,437	192,437
2047	165,000	26,344	191,344
2048	620,000	11,625	631,625
Totals	$ 3,130,000	$ 2,093,794	$ 5,223,794

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2019		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 45,000	$ 73,588	$ 118,588
2023	45,000	71,337	116,337
2024	45,000	69,088	114,088
2025	45,000	66,837	111,837
2026	45,000	64,588	109,588
2027	50,000	62,212	112,212
2028	50,000	60,213	110,213
2029	55,000	58,637	113,637
2030	50,000	57,063	107,063
2031	55,000	55,487	110,487
2032	50,000	53,913	103,913
2033	55,000	52,337	107,337
2034	55,000	50,688	105,688
2035	55,000	49,037	104,037
2036	55,000	47,388	102,388
2037	55,000	45,737	100,737
2038	55,000	44,019	99,019
2039	60,000	42,150	102,150
2040	55,000	40,281	95,281
2041	55,000	38,494	93,494
2042	55,000	36,706	91,706
2043	60,000	34,838	94,838
2044	60,000	32,887	92,887
2045	60,000	30,938	90,938
2046	60,000	28,987	88,987
2047	65,000	26,916	91,916
2048	60,000	24,806	84,806
2049	705,000	11,897	716,897
Totals	$ 2,160,000	$ 1,331,069	$ 3,491,069

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Series 2020		
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2022	$ 60,000	$ 91,112	$ 151,112
2023	60,000	88,113	148,113
2024	65,000	84,987	149,987
2025	70,000	81,613	151,613
2026	70,000	78,112	148,112
2027	70,000	74,963	144,963
2028	75,000	72,437	147,437
2029	75,000	70,563	145,563
2030	80,000	69,012	149,012
2031	80,000	67,413	147,413
2032	85,000	65,762	150,762
2033	85,000	64,063	149,063
2034	90,000	62,312	152,312
2035	90,000	60,512	150,512
2036	95,000	58,662	153,662
2037	100,000	56,525	156,525
2038	100,000	54,150	154,150
2039	100,000	51,775	151,775
2040	110,000	49,281	159,281
2041	110,000	46,669	156,669
2042	115,000	43,997	158,997
2043	115,000	41,266	156,266
2044	125,000	38,416	163,416
2045	125,000	35,447	160,447
2046	130,000	32,419	162,419
2047	135,000	29,272	164,272
2048	140,000	26,006	166,006
2049	145,000	22,622	167,622
2050	880,000	10,450	890,450
Totals	$ 3,580,000	$ 1,627,931	$ 5,207,931

Harris-Waller Counties Municipal Utility District No. 2

Schedule of Long-term Debt Service Requirements by Years (Continued)

June 30, 2021

	Annual Requirements For All Series		
Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	$ 315,000	$ 541,755	$ 856,755
2023	325,000	529,844	854,844
2024	335,000	517,304	852,304
2025	350,000	503,934	853,934
2026	360,000	489,618	849,618
2027	375,000	474,899	849,899
2028	390,000	460,688	850,688
2029	405,000	447,144	852,144
2030	420,000	433,297	853,297
2031	435,000	419,333	854,333
2032	450,000	405,438	855,438
2033	465,000	390,940	855,940
2034	485,000	375,676	860,676
2035	500,000	359,569	859,569
2036	520,000	342,676	862,676
2037	540,000	324,863	864,863
2038	560,000	305,997	865,997
2039	580,000	286,150	866,150
2040	605,000	265,344	870,344
2041	625,000	243,504	868,504
2042	650,000	220,704	870,704
2043	675,000	196,832	871,832
2044	705,000	171,808	876,808
2045	730,000	145,754	875,754
2046	760,000	118,632	878,632
2047	790,000	90,767	880,767
2048	820,000	62,437	882,437
2049	850,000	34,519	884,519
2050	880,000	10,450	890,450
Totals	$ 15,900,000	$ 9,169,876	$ 25,069,876

Harris-Waller Counties Municipal Utility District No. 2

Changes in Long-term Bonded Debt

Year Ended June 30, 2021

	Bond		
	Series 2015	**Series 2016**	**Series 2017**
Interest rates	2.50% to 4.30%	2.00% to 3.75%	2.000% to 3.875%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2021/2045	September 1, 2021/2045	September 1, 2021/2046
Bonds outstanding, beginning of current year	$ 3,085,000	$ 1,960,000	$ 2,140,000
Bonds sold during the current year	-	-	-
Retirements, principal	55,000	35,000	65,000
Bonds outstanding, end of current year	$ 3,030,000	$ 1,925,000	$ 2,075,000
Interest paid during current year	$ 122,787	$ 64,394	$ 72,591

Paying agent's name and address:

Series 2015 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2016 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2017 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2018 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2019 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 37,000,000	$ 2,000,000	$ 5,500,000	$ 44,500,000
Amount issued	$ 16,525,000	$ -	$ -	$ -
Remaining to be issued	$ 20,475,000	$ 2,000,000	$ 5,500,000	$ 44,500,000

Debt service fund cash and temporary investment balances as of June 30, 2021:	$ 1,502,864
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 864,478

Issues

Series 2018	Series 2019	Series 2020	Totals
3.25% to 5.25%	3.00% to 5.00%	2.00% to 5.00%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2021/2047	September 1, 2021/2048	September 1, 2021/2049	
$ 3,180,000	$ 2,200,000	$ -	$ 12,565,000
-	-	3,580,000	3,580,000
50,000	40,000	-	245,000
$ 3,130,000	$ 2,160,000	$ 3,580,000	$ 15,900,000
$ 123,450	$ 75,712	$ 59,684	$ 518,618

Harris-Waller Counties Municipal Utility District No. 2
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended June 30,

	Amounts				
	2021	2020	2019	2018	2017
General Fund					
Revenues					
Property taxes	$ 171,025	$ 155,740	$ 156,336	$ 226,975	$ 216,622
Investment income	2,379	7,033	6,185	2,167	735
Other income	29	42	66	58	63
Total revenues	173,433	162,815	162,587	229,200	217,420
Expenditures					
Service operations:					
Professional fees	80,448	80,581	55,528	60,322	52,117
Contracted services	19,159	19,128	18,694	17,694	17,780
Repairs and maintenance	15,806	15,806	19,344	12,268	16,172
Other expenditures	30,863	30,453	31,135	28,028	28,898
Debt service, debt issuance costs	-	8,641	-	-	-
Total expenditures	146,276	154,609	124,701	118,312	114,967
Excess of Revenues Over Expenditures	27,157	8,206	37,886	110,888	102,453
Other Financing Sources					
Interfund transfers in	8,641	-	-	-	-
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	35,798	8,206	37,886	110,888	102,453
Fund Balance, Beginning of Year	376,887	368,681	330,795	219,907	117,454
Fund Balance, End of Year	$ 412,685	$ 376,887	$ 368,681	$ 330,795	$ 219,907
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
98.6 %	95.7 %	96.2 %	99.0 %	99.6 %
1.4	4.3	3.8	1.0	0.3
0.0	0.0	0.0	0.0	0.1
100.0	100.0	100.0	100.0	100.0
46.4	49.5	34.2	26.3	24.0
11.0	11.8	11.5	7.7	8.2
9.1	9.7	11.9	5.4	7.4
17.8	18.7	19.1	12.2	13.3
-	5.3	-	-	-
84.3	95.0	76.7	51.6	52.9
15.7 %	5.0 %	23.3 %	48.4 %	47.1 %

Harris-Waller Counties Municipal Utility District No. 2
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended June 30,

	Amounts				
	2021	2020	2019	2018	2017
Debt Service Fund					
Revenues					
Property taxes	$ 912,135	$ 826,971	$ 714,776	$ 490,823	371,352
City of Katy rebates	91,755	-	-	-	-
Penalty and interest	5,952	8,997	1,578	4,451	4,317
Investment income	2,153	14,011	14,262	6,390	2,760
Other income	916	-	625	223	75
Total revenues	1,012,911	849,979	731,241	501,887	378,504
Expenditures					
Current:					
Contracted services	25,977	24,258	21,946	18,108	14,608
Other expenditures	17,500	15,975	14,192	11,467	8,079
Debt service:					
Principal retirement	245,000	160,000	140,000	80,000	-
Interest and fees	518,618	451,837	348,393	231,360	182,599
Total expenditures	807,095	652,070	524,531	340,935	205,286
Excess of Revenues Over Expenditures	205,816	197,909	206,710	160,952	173,218
Other Financing Sources					
General obligation bonds issued	45,759	-	-	75,541	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	251,575	197,909	206,710	236,493	173,218
Fund Balance, Beginning of Year	1,215,006	1,017,097	810,387	573,894	400,676
Fund Balance, End of Year	$ 1,466,581	$ 1,215,006	$ 1,017,097	$ 810,387	573,894

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
90.0 %	97.3 %	97.7 %	97.8 %	98.1 %
9.1	-	-	-	-
0.6	1.1	0.2	0.9	1.2
0.2	1.6	2.0	1.3	0.7
0.1	-	0.1	0.0	0.0
100.0	100.0	100.0	100.0	100.0
2.6	2.8	3.0	3.6	3.9
1.7	1.9	1.9	2.3	2.1
24.2	18.8	19.2	15.9	-
51.2	53.2	47.6	46.1	48.2
79.7	76.7	71.7	67.9	54.2
20.3 %	23.3 %	28.3 %	32.1 %	45.8 %

Harris-Waller Counties Municipal Utility District No. 2

Board Members, Key Personnel and Consultants

Year Ended June 30, 2021

Complete District mailing address:	Harris-Waller Counties Municipal Utility District No. 2 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056-0378	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		January 19, 2019
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
John Penewitt	Elected 05/18-05/22	$ 2,100	$ 0	President
James Bozzone	Elected 05/18-05/22	1,950	0	Vice President
Chris Courter	Elected 05/20-05/24	2,100	11	Secretary
Daniel Simmons	Elected 05/20-05/24	1,200	0	Assistant Secretary
Anna Agnew	Elected 05/20-05/24	3,750	16	Director

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

Harris-Waller Counties Municipal Utility District No. 2
Board Members, Key Personnel and Consultants (Continued)
Year Ended June 30, 2021

Consultants	Date Hired	Fees and Expense Reimbursements	Title
B&A Municipal Tax Service, LLC	01/08/13	$ 24,096	Tax Assessor/ Collector
BGE, Inc.	03/05/13	9,184	Engineer
BKD, LLP	09/02/14	24,400	Auditor
Harris County Appraisal District	Legislative Action	3,373	Appraiser
Municipal Accounts & Consulting, L.P.	08/16/12	24,810	Bookkeeper
RBC Capital Markets, LLC	08/16/12	74,475	Financial Advisor
Schwartz, Page & Harding, L.L.P.	08/16/12	64,874 82,482	General Counsel Bond Counsel
Waller County Appraisal District	Legislative Action	9,103	Appraiser

Investment Officers			
Mark Burton and Ghia Lewis	09/07/12	N/A	Bookkeepers

APPENDIX B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

SPECIMEN

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

SPECIMEN

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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